

Conference

of the

Insurance Committee

of the

International Co-operative Alliance

held in Vienna

(Austria)

on the 1st and 2nd September 1966

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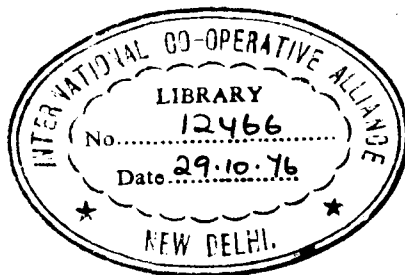


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I.C.A. Sk. Saxena

The following officers of the *Wiener Städtische Versicherungsanstalt* and affiliated enterprises or friendly companies also attended the meetings:

Mrs. Dr. Helene Fischer, trustee, *Wiener Städtische*

Messrs. Hans Brantl, trustee, *Wiener Städtische*
Karl Duffek, branch manager, *Wiener Städtische*
Alfred Engelhard, manager, *Jupiter*
Alfred Frank, manager, *Wiener Städtische*
Walter Harthausen, trustee, *Wiener Städtische*
Friedrich Klementsits, ass. manager, *Wiener Städtische*
Josef Karl Lehner, manager, *Anglo-Danubian Lloyd*
Wilhelm Lorenz, manager, *Wiener Verein*
Dr. Franz Michelfeit, manager, *Wiener Verein*
Franz Pelinka, manager, *Wiener Städtische*
Franz Piperger, board chairman, *Wiener Städtische*
Max Schwendt, manager, *Österreichische Volksfürsorge*
Dr. Herbert Stadler, manager, *Wiener Städtische*
Dr. Heinz Traxler, branch manager, *Wiener Städtische*
Ing. Herbert Wollner, manager, *Wiener Städtische*
Josef Zak, manager, *Österreichische Volksfürsorge*
Johann Zechner, manager, *Jupiter*

Were responsible for the Conference's facilities and entertainment programmes the following ladies officers of the *Wiener Städtische*:

Olga Vorsilak, chief organizer
Margarethe Mandl, assistant organizer
Dieter Kresse, assistant organizer
Dr. Margarethe Faustenhammer (Ladies' programme)
Herta Schneider (Ladies' programme)

The Committee's Executive and Members express their appreciation for the outstanding work performed by these charming as well as highly efficient ladies.

SESSION OF SEPTEMBER 1st¹

Mr. R. Dinnage in the chair.

CHAIRMAN: We have Dr. Stenner who is President of the City Parliament of Vienna, and the working President of this Company, the Wiener Städtische. We also have Dr. Bonow, the President, and Mr. Alexander, the Director of the I.C.A.

Dr. Stenner is going to extend a welcome to you on behalf of the *Wiener Städtische*.

OPENING ADDRESSES

Dr. STENNER: Mr. Chairman, Mr. President, Ladies and Gentlemen, dear colleagues. To begin with, may I in my capacity of President of the Vienna Landtag extend to you a welcome on behalf of the City and province of Vienna. We are extremely happy that your conference, like so many other conferences, should have chosen Vienna as its venue—Vienna has been the venue of many great

¹ The first session of the Conference opened in the premises (Ringturm) of the *Wiener Städtische Wechselseitige Versicherungsanstalt* acting as guest Company.

and important conferences and we feel that Vienna provides an ideal climate for such meetings, not only because of its political position, but perhaps because of the atmosphere which prevails in the city. Conferences of this kind have the advantage of providing an opportunity for exchanges of ideas, and what I consider to be no less important, they provide opportunities for personal contacts. And these contacts continue to exist a long time after the conferences themselves have been brought to an end. Apart from that, all conferences and all meetings have the added advantage of providing the opportunity to delegates to get to know other countries, other nations and their activities. I have studied the programme of your conference very carefully; I have also studied the programme of social functions which is no less important, I believe and I would say that Austria is more than mere Grinzing, the State Opera and the Prater—of course, all that belongs to Austria and to Vienna,—but Vienna is also a city where people work, where they have been building up a city destroyed after the Second World War. The City Council of Vienna has found new avenues after the First World War, and one of the elements of this new development is the *Wiener Städtische Versicherung* which is part and parcel of this overall development. In my capacity as a member of the Board of the *Wiener Städtische Versicherung*, let me extend to you the greetings of that institution.

In the economic life of Austria, and of Vienna, this insurance company is a very powerful factor. Let me make one remark in this connection. In an era of economic prosperity, where the majority of people enjoy security—this is not so in all parts of the world—to people who live in relative prosperity, insurance is significant. I would rather say that the importance of insurance has increased and in our modern day and age the field of activity of insurance has been vastly increased. Let us think in terms of motorization, of increased car ownership. Let us remind you of the vast fields opened up by aviation. And certainly in the near future space travel will open up a new field for insurance companies. This is to be anticipated and it is a mere matter of time.

And then let me say another word in regard to my own institution. The insurance company is an important economic factor due to investment of funds. Not so long ago I had the privilege of giving a paper to the Executive Officers of this company and I feel that the question of meaningful, sound investment of the capital entrusted to an insurance company is a problem that should not be underrated.

You will be holding your conference in this building during the next two days, but apart from that you will have an opportunity of seeing our city and parts of our country. So, on behalf of this institution and on behalf of the City of Vienna, let me wish you ample success for your conference and let me wish you fine weather for your programme of excursions and visits.

Dr. BONOW: Mr. Chairman, fellow Co-operators, it is a very great privilege for me to have the opportunity to address this important gathering of Cooperators. At the Congress in Bournemouth, I also had the opportunity to meet representatives of the insurance cooperative movements, and I said at that occasion that in the I.C.A. Executive and in the other leading organs of I.C.A. we attach very great importance to the activity of your Committee. Your Committee is not only the oldest auxiliary committee formed within the I.C.A. I would further say that judging from the results of the work of our auxiliary committees, the activities you have performed over the years are of outstanding value. The problem which so often is so very difficult to overcome in international work is that there is too much discussion and too little action. We know that not only within the Cooperative movement but generally in international gatherings. If we look at the work of the Insurance Committee we can say that already from a very early stage you have directed your work towards practical action in the international field. I am thinking not only of the Reinsurance Bureau with the important results you have achieved in that field, but quite especially of the action which was started by the discussions which took place in 1963 when you laid the foundation for the Insurance Development Bureau. The reason why I think so much importance should be attached to that special part of your activity is obvious to us all—when we look round the world today we will find that whereas we in the Western countries increase our standard of living with some 3-4% every year, which means that we are doubling our standard of living in such a short period as some 20-25 years, we know that in large parts of the world, what we call the newly-developing regions of the world, the problem is not one of keeping control of a too rapidly rising standard of living and the implications which that may create, but to find ways and means of surviving for huge masses of the population.

I do not want, Mr. Chairman, to embark upon a discourse on this problem which is very close to my heart, but I think that these problems are very pertinent for insurance co-operatives in the

Western countries and, of course, also in the developing countries themselves. For that very reason, I welcome very much the initiative taken to start the Insurance Development Bureau and I have seen the report which will be discussed by our Committee, and especially that you are intending to implement the plan for the loan guarantee fund. When we look at the present world situation, I think there is very much to be said for the idea brought forward by Mr. Howard Cowden, the founder of the International Co-operative Petroleum Association and a distinguished member of the Principles Commission, who sat down to work out a report for the forthcoming Congress. He actually suggested before the Commission that it should be added as a new Principle that there should be, so to say, a normal thing to establish co-operation among cooperative enterprises in various branches. When we look at the development in newly-developing regions, we may find several cases where thrift and loan societies, insurance societies, etc. are assisting the emerging consumer co-operative form of enterprises, and even agricultural co-operative marketing organizations; to some extent, thrift and loan societies and insurance organizations when they are well established can act as a cradle for helping newly-emerging consumer co-operative movements and marketing co-operative movements to develop in these parts of the world. For that reason, I think it so important that know-how and the experts which can be provided from the developed countries, from co-operative insurance organizations in these parts of the world, should be given as an assistance to the now emerging co-operative insurance enterprises in the newly-developing countries and via them also the other forms of co-operative activities in these parts of the world. There is no doubt,—and I think this is more and more being stressed by governments in the newly-developing countries,—that governmental planning for economic expansion will not be sufficient in itself. It must be supplemented by action from the people itself through voluntary self-help movements, and their co-operation has a very important role to play. For that reason, Mr. Chairman, I wish to congratulate you on the initiative you have taken even in this field and wish you every success in implementing your important and sound development plans.

Mr. ALEXANDER: Mr. Chairman, Mr. President and friends. Thank you for this invitation to speak for a few minutes and to say a word about the I.C.A. at Congress time in 1966.

For our Congress you will notice perhaps that there are three

main themes for discussion, chosen by the I.C.A. authorities other than those important matters also raised by member organizations. Firstly, the co-operative principles which will be discussed. We can say that it is thirty years since we had a review of the application of the co-operative principles around the world; conditions have changed, the requirements of members in co-operatives have changed, and the co-operative organizations have adapted themselves and are adapting themselves constantly to meet those changing conditions and requirements. It therefore seems timely to take another look at the co-operative principles, not because we think that these principles change but because we think they need to be examined in their application throughout the world and in the way in which we express them appropriately for their correct application. We can see that in some cases co-operatives have adopted characteristics similar to their competitors and have begun to wonder at what point exactly they might part company with co-operative principles. And they also see in many cases their competitors adopting co-operative methods and trying to make out that they are co-operative when, in fact, they lack something that is essential. And so this type of review and discussion it is hoped and expected will be of some practical assistance in determining what is co-operative and what is not throughout the world, which is clearly a responsibility of this international organization of co-operatives for co-operatives.

Very closely allied to this is the discussion on the structural changes in co-operatives which is a constant discussion at the international level and requires to be brought up-to-date and continued. And you can see from what I have just said that the link is very close with the two subjects because concentrating power and centralizing power to be effective need to be reconciled with the essential democracy which is the true element essential to a co-operative. And the different types of co-operatives around the world are gaining different experiences in this field, which needs to be communicated from the one to the other and reviewed in this type of discussion in the I.C.A. authorities.

The third one—co-operative technical assistance—is again a subject that is always with us, but despite the tremendous job to be done and the very untidy way we set about trying to do something to help, the amount of effective technical assistance in the co-operative field, thank goodness, is increasing. And clearly the governments of developing countries are very, very strongly wanting to have co-operative movements as an effective sector in

their economies because they find that they have to go very fast—as fast as they can—with development, and if it is all government the people do not feel involved in it. And if they put all their effort through private enterprise, then too few people benefit. Therefore, even the ones who do not want to have anything to do with co-operation are driven round to the opinion that they have to do something about it; and those who are overenthusiastic find the opposite that they still have to have it. But if you start to try and push it for wrong reasons in order to meet special situations and go too fast and you do not listen to technical advice, political factors and others are allowed to predominate. Then you have a serious failure and you have to come back to listening to the technical advice that is available.

So these three fields will be reviewed, and perhaps I should add of the last that features emerging are that governments are more and more willing to pay if co-operative movements can find the technical know-how to provide, to match with the government. This is encouraging, and at the developing-country end increasingly governments are prepared to see an independent co-operative movement developed with their assistance and to join in the planning and feasibility work without which the development work cannot take place.

So I think the role of the I.C.A. will emerge clearly in this as being a very essential one of coordination. It badly needs co-ordination this work, and so many technical experts arriving in the I.C.A. offices find the centralized information which we are building up quite essential to their work, and that role will become increasingly important and even it may be that the United Nations will have to think of a single unified co-operative technical assistance agency eventually.

So, Mr. Chairman, I feel that this Congress will be vital, important and positive and all the meetings that are leading up to it, as well as the auxiliary committees, are most encouraging to me since they have all got positive plans and are clearly making progress in their field. I have attended the conference of agriculture, and if anybody thinks that the small farmer going out is going to take the co-operative out with him and that there is no place for co-operatives in agriculture as the farms get bigger and bigger, I think we have got the answer to that doubt. But we have also formed a separate fisheries committee, and already that newly-formed committee has got an active programme in conjunction with the F.A.O. The artisans and producers committee is now taking

wider responsibility for all productive co-operatives which are not in the field of natural resources—agriculture, fisheries and forestry—which continue to be the responsibility of the agricultural committee. Trading committees are active and they are getting the buyers to sit together and consider how far they can buy jointly, not going straight for an international trading organisation, but calling practical meetings to arrange joint purchasing effectively with a view to seeing what organization may be required to deal with this trade. Banking is adopting responsibility—we have a lot of developments of international finance now becoming available for co-operative development especially in agriculture. There is not time to mention them but this is a very active field in which the I.C.A. will have to plan. We have got a meeting with Cuna International, the Credit Union Association, coming off shortly, and we have to plan at the international level just where finance for co-operatives and their members should come together or remain separate at the international level for the different types of operation. This we have very much in mind and I am sure the next year will see some planning in that area.

So—housing very active, petrol active, and the women's meeting to ensure that everything possible is done to integrate the activities of women with the main stream of the co-operative movement rather than separately, and a small meeting to discuss youth matters.

Rather a long and rather a rapid review. Thank you very much, Mr. Chairman.

CHAIRMAN: Well, friends, I am sure we are all very happy to have had these three speeches. Dr. Stenner's welcome is much appreciated by us all and we are very grateful to you for coming this morning, Sir. And we are very happy to know that Dr. Bonow appreciates the work the Insurance Committee is doing, and I think it was good for us to hear from Mr. Alexander's survey of the work of the I.C.A. which puts our work in its proper perspective. It shows that we are part of a larger organization, that we are doing our part and that there are other people doing their parts in different fields, and we only hope that they, if I may say so, will be as successful as we hope to be in our particular field. So I would say to these three friends—thank you very much for coming to us this morning.

MEMORIAL RESOLUTION

CHAIRMAN: Before they leave, there is a matter which is not a matter of business but to which I am sure you would wish that I should refer—and that is to the recent death of the founder of the Insurance Committee, Joseph Lemaire. Many of you will not have had the privilege of meeting Joseph Lemaire, but those of us who have had that privilege will feel that the tributes paid to him by all classes and ranks of Belgians, by the King and Queen and the Government, and by representatives of the workers whose interests were always closest to his heart, were well-merited. As the special issue of *Le Bouclier* says, “messages of sympathy were received from all parts of the world, which emphasize the esteem in which Joseph Lemaire was held internationally”. We here today have special cause to remember him. It was his idea to bring together co-operative insurance societies in other parts of the world, and he organized the first meeting which took place in Rome 44 years ago. He acted as Secretary for 24 years until his son Henri took over in 1946. This Insurance Committee is another example of Joseph Lemaire’s ideas which flourished and which carried his ideals and hopes outside the confines of his own country. It was a very great pleasure to the members of the Executive Committee and some representatives of the Insurance Development Bureau that Joseph Lemaire was able to come to our meeting in Brussels in April, and the photographs which were taken on that occasion have become memorable souvenirs.

In paying homage to our founder, I know you would wish me to express our sympathy with his two sons Henri and Raymond who have themselves played such a large part in the development of the work which their father started in so many fields. They had the further anguish of losing their mother on the day of their father’s funeral, but hard as this must have been one cannot help but feel that after over 60 years of life together they might themselves have wished it this way.

The Executive Committee is certain that this conference will wish to permanently record their appreciation of the life and work of Joseph Lemaire, and it has been decided that I shall ask you to accept the following Memorial Resolution. The Resolution reads as follows:

“Whereas this Insurance Committee was created through the vision of one man, Joseph Lemaire, who recognized first that the

international business of insurance would provide scope for co-operation between co-operative movements in various countries with established insurance societies, and whereas this man of vision and social action, Joseph Lemaire, believed sincerely and implemented his belief that a co-operative insurance society must be a dynamic force for social development to improve man's condition of living, and whereas this same pioneer of co-operators, Joseph Lemaire, created in *La Prévoyance Sociale* a powerful instrumentality which, beyond a modest interest, invests its profits in the protection of the nation's health and welfare through institutions dedicated to the prevention, treatment and cure for dreaded diseases—tuberculosis, poliomyelitis, cancer, rheumatism, arthritis, cardiac diseases, asthma, allergies and blindness—and benevolent relief of victims of misfortune by means of orphans' and old people's homes, foundations for functional and professional rehabilitation of mentally and physically impaired children, social and economic research, and providing grants and loans to building societies, medical clinics and laboratories and the Red Cross. And whereas this Insurance Committee will sorely miss the inspired guidance of its founder and with the entire co-operative movement mourns his passing, now therefore be it resolved that we, the Members of the Insurance Committee of the International Co-operative Alliance, do hereby express our grief and deep sympathy to the members of his family. And be it therefore resolved that this Memorial Resolution be placed in the Minutes of this meeting and that a copy be sent to the members of his family and the Board of Directors of *La Prévoyance Sociale*."

As an indication of your acceptance of this Resolution, and as a mark of sympathy with his sons Henri and Raymond who are with us to-day, I will in a moment ask you to stand in silence for a few minutes.

At the same time I would ask you to remember another member of the First Executive Committee, Mr. Carl Ericsson of Sweden, who played his part with Joseph Lemaire in the early days of this Committee in 1922. Mr. Ericsson died in 1965. Mr. Ericsson was for about 50 years one of the leading co-operators in Sweden, both in the Co-operative Union and in the Co-operative Insurance movement. He was Chairman of the Board and General Manager of *Folksam* until 1946. He also had many important duties laid upon him by his Government.

Since we last met, therefore, the last of the early pioneers has passed away, but it is surely a reminder to us that we must see to

it that their ideas and ideals are carried on. I will now ask you to stand in memory of Mr. Joseph Lemaire and Mr. Carl Ericsson. Thank you.

BUSINESS SESSIONS

CHAIRMAN: You will remember that after the Bournemouth Congress we presented a very full report, but I should tell you that this was a tremendous undertaking and we do not feel that we can face up to it again. What with the reproduction of the tape recording and the subsequent translations, the amount of work involved was such that many of us were involved for weeks on end trying to sort it out. So the Executive on this occasion has recommended that in the future report of the Congress, the paper which is being given will be printed in the language in which it was written, but the person writing each paper will be asked to prepare a summary of the paper and this summary will be translated into various languages in the subsequent proceedings—but not the full paper. Further, in order to facilitate a reduction of the report, we would ask all those who come to the microphone to speak to subsequently hand to our Secretary, Henri Lemaire, a summary of their speech. In other words, they will do the summarizing which we have tried, with some difficulty, to do from the tapes.

1. Minutes of the last Conference

CHAIRMAN: Just formally I would ask to approve the Minutes of the Bournemouth conference. I do not know if you have brought them with you, but it is the blue book and it is a work of which we can feel rather proud, it is a very long job. But will you please approve this so that we can deal with these as our future record of what happened at Bournemouth. Agreed?

2. Secretary's report

CHAIRMAN: I now ask our Secretary, Henri Lemaire, to submit his report.

Mr. H. LEMAIRE: Mr. Chairman, my dear colleagues, first of all I want to thank you for your sympathy. My brother and myself experienced very sad moments these last weeks, and I can assure you it is good to find friends like you who are sharing our sorrow. Joseph Lemaire was not only our father and our best friend, he was also the father of this Committee. As most of you know, 44 years ago he tried to find by the I.C.A. the address of the existing Co-operative Insurance societies, and he summoned them to meet in Rome. Four companies were represented, from Sweden, Holland, France and Belgium, and they had rather strong activity. I remember that the first Congress which I attended was also held in Vienna like to-day—it was in 1930, 36 years ago—and since these 36 years I follow all Congresses and all insurance meetings. Of course, I was not Secretary at that time, I was the secretary of the Secretary. But I was there and I got some experience. As you heard from Dr. Bonow this morning, we are the oldest auxiliary committee and only many years later after the war came the Banking committee, the Production, the Agricultural, the Housing—it was in 1952—Wholesale and so on. You have received my written report, and I hope you have read it—it was not too long in order to entice you to read it. You know, when we receive too thick papers we do not look at them we leave them for the next week-end when we shall have time, and we never have time! But this one was not too long, and I hope you did read it.

So I shall only add a few comments. First of all I must welcome the four new members we have enlisted since 1963. Some were already present as observers and, for instance, we welcome the representative of *Unipol*, Italy, the representative of *Zenkyoren*, Japan, the representative of the *Cooperativa de Seguros de Vida de Puerto Rico*, and the representative of *El Ittihad*, Tunisia. Unfortunately, we lost two members, a small Danish company which disappeared I believe, called *Sognerådsforeningernes Ulykkes- og Ansvarsforsikring for Landbrugere*, and a Canadian company called *Assurances U.C.C.*, which merged with a non-co-operative society.

We have now affiliated to our Committee 56 companies located in 23 countries of the five continents. According to the statistics of the Alliance we have 60 million policyholders, and we are not only important by the number of companies and of policyholders, but also by the efficiency of our Committee. I shall only mention the exchange of information, the exchange of business through the Reinsurance Bureau, and the fruitful action towards the developing

countries which is to be promoted to-day by the incorporation of *Allnations* and the use of the Loan Guaranty Fund, with the help of the Development Bureau. This 1966 meeting in Vienna is the last step after several years preparation. We hope that thanks to your decisions we shall to-morrow get on our way.

CHAIRMAN: Now are there any questions you would like to put to the Secretary, or are there any comments on his report? If not, I will ask him now to present the Financial Statement.

3. Financial statement 1963-1966

Mr. H. LEMAIRE: Well, dear colleagues, you have sent us a lot of money these last years and it is our duty to tell you what we do with your money. Here you have the figures—and I ask you to overlook the first page and to begin on page 2. There on the left side you see the assets we had at the moment of the last Congress 1 108 000 Belgian francs. And for the time being we have about three times that amount. Then you have the first contribution from the Company of Puerto Rico. On the other side the expenses. On the next page we have the same for 1964—on the left the contributions of each company and on the right the expenses. All companies have paid up. In 1965, the same lay-out. And the same in 1966. That is for the Insurance Committee Budget, and you see at the bottom of the right page that the balance for the Insurance Budget amounts to 2 401 000 Belgian francs. And in the following pages you have the figures for the Loan Guaranty Fund. There we have only contributions, no expenses. So, you only have to sum up the contributions for 1964, 1965 and 1966 and at the foot on this page you notice we have 799 000 Belgian francs. And now we can come back the first page, and you see under “Apportionment” that the Insurance Committee Budget amounts to 2 401 000—you will have the details later—and the Loan Guaranty Found to 799 000; altogether 3 200 000 Belgian francs. Maybe you are not accustomed to reckon in Belgian francs, which I understand very well. Then we have expressed in pounds sterling and in American dollars what this represents. It is about £22 000 or \$64 000. This is the money we have; and we have this money deposited in two banks, first the “Banque de la Société Générale” where you send the money. When we have a certain amount there we transfer it to the Co-operative Saving Bank called “Coop-Dépôts”. Of course, the two accounts

put together make the same amount. I must say that all contributions had been paid for 1963, 1964 and 1965; for 1966 a few companies have not paid until now, but I am convinced they will. So I can only tell you "O.K. go on, pay your contributions, we shall try and put them to good use."

CHAIRMAN: Well, you have had the accounts and now is your opportunity to ask questions as to what we do with the money. I may say that the Treasurer did not mention to you that these accounts are, in fact, audited by a Belgian Savings Bank auditor.

As there are no questions, we will assume that you approve the accounts.

4. Allnations, Inc. and Loan Guaranty Fund

CHAIRMAN: You will see from the agenda that it is my duty to introduce to you the recommendation to set up *Allnations Inc.* The steps which led to the proposed establishment of *Allnations* are set out in Appendix 1 of the Report which you have before you. But the idea that some way should be found of giving financial assistance as well as advice to newly developing co-operative insurance societies arose from the paper which Mr. Bowman Doss submitted to the 1960 Conference at Lausanne following discussions which had taken place within the Executive Committee for many years before that. The delegations in 1960 approved the establishment of a Research subcommittee and to show how serious they were they agreed to meet the costs of research. This subcommittee, and subsequently the Executive, did a good deal of work and as you will recall submitted a Research Report to the Bournemouth Conference in 1963. One of the proposals in the Research Report was the setting up of a Loan Guaranty Fund. This Fund was set up in order that the credit risk—and as insurance people I think you will all know what the "credit risk" means—for loans made to assist the establishment of co-operative insurance societies in newly-developing countries should be shared equitably by all the co-operative insurance societies in developed countries. It is, in fact, a sort of fidelity insurance fund. For example—and this is merely an example—*La Prévoyance Sociale* might be willing to make funds available to a developing society on behalf of all of us, the developed societies. But obviously such loans are not 100% secure. And if *La Prévoyance Sociale* should lose money by making loans

on our behalf it obviously would be the duty of the rest of us to make good its losses. We are all insurance men and we know that it is not wise, even among insurance companies, to rely on collecting the losses after the claim has arisen. This assessmentism, as we call it, has always been the road to ruin, and we did not think that this was the way we should operate as insurance organizations. We therefore followed sound practice in building up a Fund out of which losses—and I think inevitably losses will arise—can be met. As our Treasurer has just mentioned to you, this Fund now amounts to £6 000 and it is proposed that contributions shall be made until it reaches £20 000, and it will then continue to earn interest.

This proposal was undoubtedly sound, but I want to make it clear that it was never intended that loans should be made by the Loan Guaranty Fund. It is what its name implies, a guarantee against losses on loans which may be made. It was when we came to consider more carefully who should make the loans that problems arose. It was found that many of our member societies might not be permitted by their governments to make investments of this nature and that currency regulations introduce many difficulties. This led the Insurance Development Bureau to investigate whether companies could be set up in such a way as to overcome the international problems to which I have referred. After a great deal of research and discussion we believe that the proposals for establishing *Allnations Inc.* meet this situation. Exhibit E, which follows Appendix 2 of the green pages, shows how the proposal will work—it is a sort of “family tree”. I think it is a very simple way of showing the operations of the proposed *Allnations Company*, and how the money will eventually get down to the insurance society in the under-developed country. Page 4 shows how much each society will have to contribute in any one year and for a maximum of three years so that none of us takes on an unknown commitment. Loans will be made by the First National City Bank of New York on the recommendations of the Insurance Executive Committee. The Bank will have the knowledge that if anything goes wrong they have the backing of *Allnations Inc.* and the Loan Guaranty Fund. This is a much more straightforward method than all of us being asked for our pro-rata shares of loans and the inevitable complications which would ensue.

It also has the inestimable advantage that a loan through the First National City Bank qualifies for A.I.D. which interpreted means the U.S. Agency for International Development. And this will insure *Allnations Inc.* against loss because of expropriation

of property or inconvertibility of currency which are very serious risks in newly developing countries.

On behalf of the Executive Committee I strongly recommend this scheme to you, but I am sure you will wish to know more about the technicalities and I am therefore now going to ask Mr. Klas Back, Chairman of the Insurance Development Bureau, to take up where I have left off, as he has been very closely concerned with the details.

At a later stage I hope that Mr. Bowman Doss will speak, not on the technicalities but on what I might term the philosophy of the proposals, and I am sure that we all realise that without his co-operation and that of his Board in making available a shell company, as we call it in Britain, our plans would have been much more difficult and maybe impossible. I will now ask Mr. Klas Back to deal more fully with this *Allnations* proposal.

Mr. Klas BACK: I need not say very much about these matters. The Executive have said what ought to be said in their letter to the member companies, (the white paper in the set of papers you already have got).

I know that many of the member companies had preferred to get a much larger company than the *Allnations, Inc.* as it is planned. A company with a share capital of 300 000 dollars will of course not be an entity which can assist very much in supplying co-operators in other countries with capital in order to finance new co-operative insurance societies. We are thus in the Bureau—and I believe also in the Executive—fully aware of the fact that the investments which can be made through *Allnations, Inc.* are very modest in comparison with the assistance given in other fields, both privately and nationally to newly developing countries on bilateral and multilateral basis.

But, if some wanted an *Allnations, Inc.* with larger share capital we also know that other member companies are rather sceptical about the *Allnations*. I think therefore that the decision reached by the Executive to limit the share capital to 300 000 dollars of which only 100 000 dollars should be paid up from the beginning is a wise decision and a good compromise acceptable to all member companies. It is our sincere hope that no member company will decline participating in *Allnations, Inc.* You can also very easily see that the share capital when distributed among all member companies means a comparatively modest investment for each of them.

It has very often been said that the first co-operative activity in a country should not be in the insurance field. It is very probable that co-operative strivings in a country will result into consumers' and producers' co-operatives before a yearning to start co-operative insurance appears. And when such a yearning appears it is also very probable that the other co-operatives have gained such strength that they are able to raise by themselves the money needed.

It is therefore only in exceptional cases that a need for borrowing money with assistance from *Allnations, Inc.* in order to start co-operative insurance may exist.

You already know the motives why it is suggested that *Allnations, Inc.*, should be domiciled in the U.S. I know that many companies, including some American companies, would have preferred to domicile *Allnations, Inc.*, in some other country, not because of our friends in the American co-operative insurance societies but on account of the international political situation.

I can, however, assure you that we have investigated all possibilities and tried all alternatives in order to establish a company like *Allnations, Inc.* in another country. It is of course possible. But it is not possible in other countries to enjoy all the benefits such a company will get when domiciled in the U.S.A. All those problems are mentioned under Appendix 1 (the yellow paper).

The legal paper in pink colour has possibly confused some of our members. We have however been told by our American legal experts about the necessity of having all this written down in the articles of incorporation as well as in the code of regulations and the code of by-laws. If you need more explanations about these matters the legal experts from the U.S. have promised to provide them.

CHAIRMAN: I am quite sure there will be some questions you will wish to put to Mr. Back; and I would mention that in due course we shall be submitting to you two resolutions which are essential if we are to carry out these proposals, but before circulating them we want to be quite sure that you have secured all the information on these proposals which you want, and subsequently we will circulate these proposals and ask you to vote on them society by society, because we want to be quite sure that we know the strength of the support we are getting. So, this subject is now open for discussion and for asking questions. And please do not hesitate to come to the microphone to ask questions, because for those like Mr. Klas Back and others who have been working on this for so long it all

seems so simple, but I am quite sure that many of you have found some problems when you have read it through, and if subsequently you have to submit these proposals to your own Board, I am sure you will want to be in a position to answer the questions—now is your opportunity. So would you please come forward, ask questions and make any comments you wish on these proposals.

Mr. VANDERBEEK: I would like to make three comments on the *Allnations* proposal:

1. In my opinion this is an important, well designed proposal that I hope will receive the unanimous support of the members of the Insurance Committee.

2. At the 1963 Bournemouth meeting, a Loan Guarantee fund was established with the contribution formula based upon the premium income of each member company. According to this formula, the share for the United States companies would be about 42% of the overall total. On this 42% *Nationwide's* share would be about 35%, *Mutual Service* about 4%, and *League Life* about 3%.

You will note from material distributed that the Executive of the Insurance Committee have recommended that *Allnations* be domiciled in the United States and that 51% of the capital be subscribed to by United States companies. Such an arrangement will permit United States Agency for International Development investment guarantees against expropriation of property or inconvertibility of currency.

So that *Allnations* would not appear to be a "one company" project, it is my understanding that *Nationwide* is planning to contribute only their normal share—35%. To assure that the 51% would be subscribed to by United States companies, *League Life* has agreed to subscribe up to 16%. This 16% might be reduced by what other United States member companies might contribute. However, it will assure members of this Committee that the 51% goal will be met.

3. As Mr. Dinnage and others have correctly pointed out, co-operative people in newly developing countries will probably need technical assistance much more than financial aid. However, I must admit my major reservation about the *Allnations* proposal is that it is too limited and conservative. For example, the proposed Resolution on control of clean-sight credit guarantees (Appendix III, Exhibit D) outlines fairly restrictive loan policies. It is always wise to start off conservatively; however, it would

appear to me that we may have an excellent applicant for a loan who would not qualify under the rules of the proposed Resolution.

Fortunately, the Board of *Allnations*, by a two-thirds vote, could modify the Resolution. The Board of Directors will be the Executive of the Insurance Committee. These are men of great experience and wisdom. I am sure that all of us agree that it is wise to give the Directors the power to modify the Resolution if in their judgment they receive a loan application from a worthwhile applicant who does not meet some of the rules proposed in the initial Resolution.

Question from audience to Mr. Vanderbeek: What are A.I.D. guarantees?

Mr. VANDERBEEK: A.I.D. guarantees are basically guarantees against loss other than because of normal risks inherent in operating any business. These guarantees are divided into two parts—so called “specific risk” guarantees against losses due to expropriation, currency inconvertibility, war, revolution, or insurrection; and “all risk” guarantees which insure investments and loans against other types of risks not specifically mentioned, which also exclude normal business risks. The “specific risk” guarantee basically provides for full repayment, and the “all risk” guarantee basically provides for 50% repayment. All of these guarantees are available only to a corporation organized in the United States and at least 51% owned by United States citizens or companies.

Mr. Doss: Mr. Chairman, Ladies and Gentlemen. Everything seems to be all right since we are not getting many questions. Our good Chairman, Mr. Dinnage, alluded to our meeting in Lausanne and I recall that meeting very well and I am sure many of you do, and I recall also one of the statements I made at that meeting: that direction is more important than distance, and that through the research program and other activities we were trying to determine what was the best direction for us to take in our insurance work. Now, the Lausanne meeting was held six years ago and that seems a long time to get started, but as it was mentioned by Mr. Alexander here this morning in the very fine statement he made, we must also be sure, just as sure as sure can be, that we are doing the right thing and that we have considered all the technical angles when we go into a thing as important as what we are considering here. I personally feel that this has been done; I would, Mr. Chairman,

like to add here that I think the Development Bureau, headed by Klas Back as Chairman, has done a splendid work in preparing this program, in putting the material together and in distributing it for study. I feel personally really comfortable, about this program. It seems to me that it is fundamentally sound and right, and it seems to me that it is practical and workable, and as someone said here last night that in the days to come it might turn out to be one of the greatest things to have been done in the field of international co-operative work. We hope so.

M. Dinnage said I might add a few words about philosophy; well, I think I said enough words in Lausanne, and again enough words in Bournemouth, and perhaps we do not need any more on philosophy. What we need now is action. But I may just add this one word in the philosophy area, that in my judgment the best way to help people, in fact the only real way to help people, is to help them help themselves. And I genuinely believe that any individual or any corporation that will truly try to help another will end up always by helping himself. That is the end of my philosophy for to-day.

CHAIRMAN: As I mentioned earlier, I shall eventually ask you to vote, but we have two Resolutions to put before you and you will have to make up your mind when you have seen these Resolutions whether you can support them. And I propose that, when you have had a look at them, we should have a vote by roll-call. I want to make sure that each society represented here tells us whether they are supporting or not supporting, and since Mr. Binder has arranged that we shall have coffee at 11 a.m. I suggest that as you go out we will give you copies of these Resolutions so you can study them while having your coffee, and then you can come back here and we can discuss them. These Resolutions have been very largely prepared by Mr. Armor Hank of Nationwide, and he will be ready to answer questions on these Resolutions if you have any to raise before I ask you to vote.

(Coffee break.)

CHAIRMAN: Well, we now come back to the consideration of these Resolutions, but it may well be that during the coffee break some of you have had some questions spring to your mind, so before we come to the Resolutions if there are any more questions you would

like to put, or comments you wish to make on these proposals, please do so now.

Mr. RITTNER: I need not say that this plan is a most constructive suggestion and maybe one of the most constructive ones ever adopted, and I need not say that we should agree unanimously. I only would like to put some personal questions which surely might be answered off-hand.

My first question is: for obtaining this dormant corporation will there be a purchase price to be paid and if so how much will it be?

My second question is: as far as I have seen nothing has been said about the provision of an organisation fund, that means how are the costs, the overheads, to be met, where does the money come from for paying management salary, office staff, taxes and so on if any arise?

My third question—the United States Agency for International Development (A.I.D.) will insure *Allnations Inc.* against loss because of expropriation of property and inconvertibility of currency. But does AID also give guarantees covering currency deterioration in such developing countries? Or how otherwise are such not unlikely—in my opinion—losses to be covered?

My fourth and last question—on page 3 of the proposal of the Executive it is said that the Directors' Resolution in Exhibit D limits the activities of the company which for legal reasons has got much broader powers in its Charter than it is supposed to use. But this Directors' Resolution limits only one activity of the company,—it lays down rules and standards for the selection of loans and credits. Does this mean that all other articles of Exhibit A shall apply without any restrictions?

I should once again say that I stand up for unanimous acceptance of the Resolutions.

CHAIRMAN: Before I ask Mr. Back to reply, are there any other points which anybody wishes to raise?

Mr. BACK: The purchase price is not set but it is provided what proportion you should pay into it, and the provision tax is provided too but other expenses are not. However, we should mention that it is more or less from the beginning a “paper” company so it should not cost very much to administrate it. Then also when you set the price, you should set the price so you are able from the beginning

to pay a dividend. That is the practical reason why we are going to pay for the shares.

And if the frame for the corporation's activities is much broader than seems necessary it is because we do not want to get cornered and to act illegally, but it is created just to give guarantee for loans. But we have agreed that if you come into a situation where you can see you lose money if you do not resort to other activities, it is easier for your Board to make a switch than to get a wider legislation. So that is a practical reason why we register under a very wide frame and then limit the Board's powers by a resolution because it is easier to change this one.

Then of course the Foreign Aid Program does not cover the risk of inflation and so on, but if you think very carefully about that, it is working all the way, it is making the risk less and less important for *Allnations*. Because we do not use dollars or pounds, we use the local currency. That is really a good thing because if the local currency goes down 50% compared to dollars, our guarantee immediately goes down the 50%, too. I hope I have answered all points.

Mr. DOSS: I am sure that we are clear, Mr. Back, on the answer to the first question and that is whether it will be necessary to pay any money for the purchase of the shell corporation from Nationwide. And the answer to that is no: *Nationwide* is not going to charge anything for this shell organisation.

Mr. Chairman, I should like, as a member of the Executive, to expand just a little on the organisation fund question. I hope I am not being too presumptuous here but, as we have discussed before and as the papers have stated, it has been assumed that you will agree that the Executive of our Insurance Committee will constitute the Board of *Allnations*. Whichever Executive you elect at the conclusion of this conference will constitute the Board of *Allnations*. The Board would have to hold then what we term under American law an organisation meeting, sometime thereafter, at which time it would elect whichever officers of the Board and other officers of the corporation who are supposed necessary to run this corporation. Then the question would be: is there any expense connected with that such as salaries for officers and so forth—I think this was what Mr. Rittner was talking about. We cannot definitely answer that question, but I think I am right—and please correct me if not—in saying at this time that we do not anticipate any such charges, particularly at the beginning of *Allnations Inc.* Any officers will

serve without salary. They will be compensated by their own companies and try to get this organisation off to a good start.

Now there are other features, other costs such as registration of the stock certificates and things of that nature, some of which we have already in this shell corporation and there will probably be some additional expenses, minor ones, I think. Mr. Chairman, I suggest we should call on Mr. Armor Hank to give us some idea of what those figures will be. Anyway, they will be minor and we think that they should be paid by *Allnations Inc.* under the new set-up.

Mr. Chairman, it occurs to me that maybe you or some other member of the Executive—I could, but I do not want to talk too much—might say a little bit more than Mr. Back on the matter of the authority and responsibility of the Directors. As you mentioned, Mr. Rittner, according to the paper this is restricted but the Articles of Incorporation are much broader than that.

(Suggestion that Mr. Doss explain it himself.)

Well, I will try. As you know, we have stated up to now and it has been fully explained in the paper, that it is the understanding at this time that the only function of this *Allnations Corporation* will be to administer and to operate in the area of the Loan Guaranty Fund Program. And as Mr. Back said, it was felt advisable—and the lawyers can speak for this better than I can—to maintain a broad charter or Articles of Incorporation, because as you say (and excuse me for repeating, Mr. Back) there might be some cases where money has been lent out and the borrowing company did not survive and you would need to take over some of the assets, or something of that kind. And *Allnations* might need not only to take that over but also participate in the management function to help get its borrower back on his feet. Well, then you would want a Charter or Articles of Incorporation broad enough to permit *Allnations* to do that to protect our money and our investments in this case. But I am confident that if the Board ever felt that we ought to expand and enlarge the *Allnations* program beyond what we have set out to do here in a Guaranty Loan Fund Program, it would consult with you either by mail or in conference before proceeding. So I think you are safe from that point of view.

Before I sit down, Mr. Chairman, may I just take this opportunity to mention the question of deterioration of the money. You mean by that, I suppose, a loss in purchasing power or inflation, as

you referred to Mr. Back. Of course, this is pretty difficult for any governmental agency or anybody else to guard against. That is one reason why we in *Nationwide* like having a mutual fund program along with other measures which help protect against inflation. Maybe these countries need to look into this opportunity.

I think that Mr. Armor Hank should speak a little more about the monies that will be involved here in the organisation of *Allnations*.

CHAIRMAN: I suggest, Mr. Hank, that you not only deal with these aspects but that you also run through these Resolutions before I put them to the vote.

Mr. HANK: As you have heard, my name is Armor Hank, and I am an attorney for *Nationwide Insurance Company*. But to-day I appear as an attorney who has worked very closely with the Development Bureau in formulating the documents you have before you, and I have also been commissioned by the Executive to draw the Resolutions which you have before you. Now, some of these questions which have been asked are actually legal questions so, to the very practical explanations which have been given by Mr. Back and Mr. Doss, I will attempt to add very briefly the legal explanations.

First of all, let us examine the operational funds of this corporation, and undoubtedly there will be some. There will be an organization, there will be a filing of amended Articles of Incorporation, there will be registration of additional stock which the Corporation is now qualified to issue. The cost of this, as I have computed very quickly, will be somewhere in the neighbourhood of \$280. These are nominal charges, so you need not be too concerned, for these monies will come from the money received from the purchase of the shares of the Corporation. Different from European corporations, a part of the money which is used to purchase the shares will be put in what we call the Capital Account. Another part of that money will be put in what we call the Paid-in Surplus Account. When we pay expenses for which we have not earned income, we will have money arising from the purchasers' shares in the Surplus Account from which to make the payment. The payments, as I have said, should be very small at the inception of the Corporation.

There has been, I believe, a little confusion created on the currency problem. We do have an inflation problem, but we feel

here that this Corporation is unique in that it may have overcome that inflation problem by the manner in which it makes a loan. The loan is not guaranteed in dollars or pounds. The loan is guaranteed in the currency of the country where the new insurance company is actually established. If the cost of that currency goes up or down, our guarantee, as Mr. Back has said, will fluctuate in accordance with the fluctuation of the currency of the country. This, we think, is a unique advantage and perhaps it happened accidentally, but it gives us a Corporation which has a built-in hedge against inflation.

I would like to say one word too about the powers of the Corporation, Mr. Chairman, if I have time. European civil law is different from American common law in one particular respect so far as business corporations are concerned. If in Europe—and probably many of the other countries here represented which pattern their law after the European form of the civil law—you would set down the powers of the corporation it would be in a very brief statement, according to a certain statute, and that is all that there would be to it. In the United States, however, we prepare a long statement in which we set forth all of the powers that this corporation will have, and it is good craftsmanship on the part of a lawyer if he gives the corporation all powers which it could ever conceivably need, so that he will never have it attacked for doing something that is beyond its powers or what we refer to as being *ultra vires*. The fact then that we may refer to this corporation as having the power to buy or sell oil-wells or whatever else, is not significant in connexion with what this corporation is actually designed to do.

Mr. Chairman, I think those are the legal aspects out of which questions have arisen so far. If there are any others I would be glad to try and answer them.

CHAIRMAN: You have heard Mr. Hank's explanations. Are there any more questions you would like to put to him? If not, I think, Mr. Hank, you might just follow up by explaining the purposes of these Resolutions.

Mr. HANK: The first Resolution to which I refer will be the shortest resolution that you have—the Resolution authorizing the adoption of a proposal submitted and approved by the Executive to organize *Allnations, Inc.*, for the purpose of promoting co-operative insurance throughout the world. The plan has been submitted—you

have copies of that plan—it has here been explained and we hope you understand it although we know there are a number of details you could not possibly understand at this short sitting. But I think the Development Bureau and the Executive have thought them out.

The Executive is asking that you give them the authority (1) to put this plan into effect and (2) because the laws and operating conditions are always undergoing changes, they have asked also in the second paragraph of that Resolution to be granted the power directly to make any technical or legal changes necessary to better bring it into existence this kind of a corporation.

The second Resolution deals with the transfer of the Loan Guaranty Fund to the *Allnations Corporation*. Since *Allnations* is the corporation which should actually make the preliminary investigations and in fact guarantee to the First National City Bank of New York the loans which are made by the local bank in the developing country, it must be a legal entity; this is one of the reasons for the creations of *Allnations*. And the Loan Guaranty Fund is to be used for the same purpose. It is therefore only logical that the Loan Guaranty Fund be a part of the assets of *Allnations*. This Resolution merely transfers the Loan Guaranty Fund that is now being held by a trustee, to the *Corporation Allnations, Inc.* It reads:

“*Whereas* at the last Plenary Session of the Insurance Committee of the International Co-operative Alliance held in Bournemouth, England, in October 1963, a Resolution was adopted creating a Loan Guaranty Fund for the purpose of establishing a basis for the guaranteeing of loans to co-operatively oriented institutions in developing countries, the proceeds of which were to be used for the establishment and promotion of co-operative forms of insurance in those countries, and

Whereas the said Loan Guaranty Fund was established pursuant to provisions of said Resolution and the assets are now on deposit in the Banque de la Société Générale de Belgique, and the Coop-Dépôts, Brussels, Belgium, and

Whereas the Executive, pursuant to a Resolution adopted by the Insurance Committee at the said Bournemouth meeting, has recommended the organization of *Allnations, Inc.*, a corporation one of the purposes of which is to carry out the function originally contemplated for the Loan Guaranty Fund, and

Whereas the Insurance Committee has in the meeting now in session adopted the Resolution recommended by the Executive for the organization and operation of *Allnations, Inc.*, and

Whereas it is desirable that all funds to be used for the promotion of co-operative forms of insurance be administered by a single body under the corporate structure of *Allnations, Inc.*

Now therefore be it resolved that the trustee of the Loan Guaranty Fund be—and he hereby is—authorized and directed upon receipt of certification from the Secretary of *Allnations, Inc.*, of the organization of said corporation pursuant to the plan adopted at this meeting, and the election of the Board of Directors of same to cause to be paid over or transferred to the Treasurer of said corporation in accordance with the instructions of the said Treasurer at the time of transfer the entire assets of the said Loan Guaranty Fund and to render an accounting to *Allnations, Inc.*, for all receipts and disbursements from the said trust account; and

Resolve further that contributions to the Loan Guaranty Fund shall continue to be made according to the assessment formula heretofore adopted by the members of the Insurance Committee and checks and drafts for such contributions shall be made payable to *Allnations Inc.*, and be in such currency and mailed to such address as the Treasurer of said corporation may from time to time direct.”

This will be adopted, Mr. Chairman, subsequent to the adoption of the first Resolution.

CHAIRMAN: I would just like to say that unfortunately we did not have time to translate these Resolutions, but if they are read to you by Mr. Hank they will be translated—so I think if you read this Resolution all our friends will know what it is that they are passing.

Mr. HANK: The first Resolution is very short—I am sure you will be grateful.

Resolved, that the plan submitted to this Committee for the organization, and operation of *Allnations, Inc.*, as an international co-operative insurance development and management company be, and the same is, hereby approved and adopted, and

"Resolved further, that the Executive be, and it hereby is, authorized and directed to proceed with the carrying out of the said plan and is hereby authorized to make such technical or legal changes in the plan (and accompanying documents here presented) as may be necessary or advisable to facilitate the organization and operation of *Allnations, Inc.*, for its intended purpose."

CHAIRMAN: We now have to ask you to vote on these Resolutions. The principle of voting under our rules is "one vote, one society", so that, if you have more than one representative, only one is allowed to vote. I propose that our Secretary should call each society by name and that one representative from each society should signify whether they support the Resolution or not.

Mr. H. LEMAIRE (*calls each society and receives their replies*): Unanimous—thank you.

CHAIRMAN: We are obviously very gratified, both on the Executive and the Development Bureau that you have accepted this plan, and I can assure that we as an Executive and through the Development Bureau shall do our utmost to make it work and be what it is meant to be, a development organization.

Mr. Hank has explained to you that you have to pass another Resolution transferring the Loan Guaranty Fund to *Allnations*, and it seems to me that if you approve the setting up of *Allnations* you cannot do otherwise but approve the transfer of the Loan Guaranty Fund to *Allnations*. It still remains your money since you own *Allnations*. So I cannot see that from the legal point of view we need to do anything more than put it to you. I thus put it to you: do you formally approve of these Resolutions?

(*Discussion as to how to approve in the easiest way possible. Mr. Doss suggests a motion to be proposed and seconded.*)

CHAIRMAN: Will somebody propose? Well, it has been proposed by Mr. Vanderbeek and seconded by Mr. Nussbaum and supported by Mr. Raymond Lemaire that we adopt this Resolution regarding the Loan Guaranty Fund. (*Further discussion.*) Well, will you show by hand that you do approve this Resolution?—All in favour. It is carried. Thank you very much.

This will conclude this morning's proceedings, but before we adjourn for lunch I would like to take this opportunity for thank-

ing Mr. Hank in particular for all the legal work he has done for the Development Bureau and for the Executive in preparing these documents, checking them, and preparing these Resolutions which you have had before you this morning. Also, as I have already indicated, a lot of work has been done in the preparation of these documents. And since they have been prepared in English they had to be translated. And we thank Mr. Maurer and Mr. Lemaire and his staff for the translation which has been done. I apologize that there was not time to get the Resolutions translated for you this morning, but I hope that although they have been submitted only in English they are quite satisfactory to you.

With that, I will adjourn for lunch. We will meet again at 2 o'clock.

The meeting was adjourned for lunch at 12.30. The session was resumed at 2 p.m.

5. Development Bureau Report

CHAIRMAN: This afternoon we propose to deal with the next two items on the agenda, that is the Development Bureau Report which will be introduced by Mr. Klas Back and the Reinsurance Report which will be introduced by Mr. Raymond Lemaire.

These are both very important reports which really outline the basic work which is being done by your Insurance Committee, and they well merit your attention. I am sure that both Mr. Back and Mr. Lemaire will be prepared to give you all the information you may seek which may not already be contained in their reports.

Can I first ask Mr. Klas Back to introduce the Report of the Development Bureau.

Mr. BACK: Mr. Chairman, you have already got the report about the activities of the I.D.B. I only want to make some comments on the written report. Those of you who were present at the conference in Bournemouth in 1963, and listened to the presentation of the report from the Research Committee, have probably expected much more from the work of the Bureau, especially in the field concerning newly-developing countries. This, however, is a very difficult field, and you should not expect quick results. I think I can say this new Sub-committee is another evidence of the fact which has so often been recognised, that the Insurance Committee pro-

bably is the most active Committee of all auxiliary committees in the Alliance. The Bureau has held four meetings, and as Chairman of it I am very grateful to the member companies for their willingness to allow top executives to participate in the Bureau's activities and to attend its meetings at the company's own expense.

A brochure has been published and, as you can see from the report, distributed in 11 000 copies. As you know, the aim of the brochure is to promote the idea of co-operative insurance among co-operators and other groups. Readers of the brochure should be stimulated to get in touch with the Bureau for further information. There are still 19 000 copies left, and I will ask the member companies to assist in distributing the rest of the brochures before the information given in the brochure is getting too old. When the brochure is no longer up-to-date we plan to print a new issue. You also know that we have produced a questionnaire on the need and the possibilities of co-operative insurance in the various countries, as well as informative material on cattle insurance, group insurance and parliamentary structure of co-operative insurance societies.

The member companies can, of course, use this material when they have visitors from other countries. Early this year a book called "Co-operative insurance" was produced. The book is supposed to be used as background material for lectures at courses on co-operatives insurance. The book is under translation into French and Spanish, and will be distributed to the appropriate member countries and prospective teachers at the end of this year, I hope, or at the beginning of next year. In the report, a seminar at the Afro-Asian Institute in Tel-Aviv is mentioned. We were happy in the I.D.B. for having the opportunity to arrange that seminar and we are very grateful to the *Hassneh* for their co-operation in this matter. Since we had to have meetings both within our Bureau and with the Reinsurance Bureau it was easy to combine our meetings with lectures at the seminar.

There is possibly only one institute of that kind in the world, but there are many co-operative and trade union schools where such seminars can be arranged, at a limited cost both for the participants and the lecturers. This will give us very good opportunities to present the idea of co-operative insurance to countries where so far no co-operative insurance society exists.

Talking about courses and seminars, I should not forget saying a few words about the course "Meet the C.I.S. of Manchester". The 19 participants from 12 member companies who attended the courses know how extremely well organized it was and how grateful

we ought to be to C.I.S. for their willingness to act as the host company. The experience of the course has encouraged us in the Bureau to go on. We appreciate knowing that there are good possibilities that a course arranged by member companies from German-speaking countries might take place in the next two years.

Since the report was written, a course on the "Ways and means of lowering the costs for repairing damaged cars" has been held in Sweden. A report on the course has been published in Nr. 3 of the Bulletin. The only comment I want to make is that such a course seems to be a good example of the way in which we can share experiences with each other, and in the long run increase our possibilities to reach our purpose of offering insurance coverage at the lowest possible price. In the report we have mentioned some countries where the prospects for new co-operative insurance societies seem to be fairly good. I think we can be rather optimistic about the prospects in Greece and in the Philippines, but you and we in the Bureau must not grow impatient. It takes time to start new co-operative insurance societies, and we in the Bureau are of the opinion that we have no right to try and push the Co-operators in a given country to go on faster than they want themselves. The Co-operators in the country concerned have the best possibilities to examine the situation and to decide when it is time to start. We must also remember that an effort to start a co-operative insurance society must never fail. We must be sure of a successful start. We in the already very well established co-operative insurance societies can assist the Co-operators in other countries by offering them training facilities, educational material and so on. To do this is our responsibility if anybody requests our assistance. But the responsibility for a new established co-operative insurance society is in the hands of the Co-operators in the country concerned. We may not forget this when we impatiently expect results from our activities in newly-developing countries.

During the last year we have issued a Newsletter which we call a Bulletin. This is part of our activities towards promoting the exchange of ideas. We know that such newsletters very often fail because members seldom feel that it is their responsibility to furnish the Editor with material for publication. However, we have got some very useful material from some member companies and it is our hope that all companies should find it worth while to send information to the Editor on their activities, which could be of interest to other members.

I would like to underline that the Bulletin is a very good instru-

ment for giving useful information to each other within the co-operative insurance movement. I would even go so far as saying that it is highly necessary to-day to exchange such information when the hardening competition forces many of the private companies to amalgamate. And we in the co-operative movement need to be effective and strong in order to be able to compete with them. At least we have one advantage over them: They lack our idealistic base for co-operation. It should therefore be natural for the co-operative companies to inform and help each other.

The Executive has already proposed that the Insurance Development Bureau be reappointed for another 3 years period. There will possibly be some changes among the members of the Bureau. Anyhow, I hope that the Executive allow us in the Bureau to regard their decision of reappointment as an evidence of their appreciation of the work which has been done by the Bureau during the last 3 years.

And finally I want to thank the Executive as well as the members of the Reinsurance Bureau. Without their trustful co-operation it had not been possible to fulfil our duties in the Bureau. I would also like to express I.D.B.'s deep gratitude to those who have taken care of the legal matters and especially, to Mr. Armor Hank, and to Nationwide which has footed the bill.

Just before this report I received a letter from a member of the Bureau, Mr. Vanderbeek, U.S.A., telling us about an enquiry in South America. There has been a survey made by a Dr. Juan Aponte about the situation in that country, and the report is rather optimistic. Maybe Mr. Vanderbeek will want to say a few words about it. He knows a lot more about it than I do. We are going to watch this problem very carefully and follow it and also give assistance as soon as a need arises. Thank you.

CHAIRMAN: Well, you have heard Mr. Back's summary of the report which was circulated to you. As I said, we feel that this is an important subject and we hope that perhaps some of you will have some suggestions or contributions to make.

I am sure someone would like to say something about this report.

Mr. VANDERBEEK: Mr. Klas Back suggested that I make comments on some recent developments in Latin America.

In Latin America, as in other areas of the world, there is a real need for co-operative low-cost insurance programs. In 1964, to help

develop these programs, the United States Agency for International Development made a grant to the Co-operative League of the U.S.A. For the past two years an insurance technician, William Hyde, has been in Lima, Peru, working on this project. The project has also utilized the consultive help of people like Dr. Juan B. Aponte, the Consulting Actuary for the Co-operative Insurance Company of Puerto Rico; Allen Mayerson, a professor of insurance and one of the world's leading actuaries; Lloyd Matheson, General Manager, *Co-operative Insurance Services* of Canada; Dr. Robert Rennie, Vice President, *Nationwide*; and Robert H. Rowe and myself from *League Life Insurance Company*.

In Peru, like in many countries, the existing insurance companies charged high premiums and had very little interest in providing low-cost insurance for low and middle income people. Last year, when faced with the threat of competition from a proposed co-operative insurer, the Peruvian private insurance companies agreed to reduce their rates on certain coverages. One result—the cost of life insurance for borrowers from the Housing Bank has been reduced an estimated \$200 000 per year.

The co-operative officials in Peru have now approved the establishment of a co-operative insurer. Initially this insurer will underwrite insurance for the borrowers and savers in credit unions—co-operative non-profit thrift and credit societies. This insurance will be written on a group basis, will be very simple to administer, and involve very little underwriting risk. If feasible, later on the company will underwrite other types of insurance. On August 6, 1966, an organization meeting was held. Insurance contracts and administrative forms have been drafted, and the credit union people are already collecting the capital.

Dr. Aponte has just returned from a five-week trip to Peru, Ecuador, and Colombia; and he reports that in Ecuador similar progress is being made; and in Colombia there is considerable interest in the development of a co-operative insurer.

In Bolivia the Credit Union Federation have agreed to set up their own insurance company. In addition to the help they are receiving from the Co-operative League project, they have requested a small loan from *Co-operative Insurance Services* of Canada and *League Life*.

The co-operative people in each of these countries are enthusiastic about the proposed programs. However, it is quite obvious that they will need continuing technical assistance as well as some financial help.

We will be reporting on these programs to the Insurance Development Bureau.

CHAIRMAN: Nobody has any questions on the work of the Insurance Development Bureau? Well, once again I can only assume that you are satisfied with the work which the I.D.B. is doing. As Mr. Back pointed out these things take time. You must not expect any spectacular results, but then no sound insurance company was built in a hurry, and I think we should take that as our guiding light. I would, on your behalf, express the appreciation of this Executive and of the whole conference to the work which Mr. Back and his Committee have done.

6. Reinsurance Bureau Report

CHAIRMAN: I now ask Mr. Raymond Lemaire, who is Chairman of the Reinsurance Bureau. He followed Mr. Nuttall who retired two or three months ago from the chairmanship; Mr. Raymond Lemaire of course has had a long experience in the work of the Reinsurance Bureau, so he is well able to explain to you the problems which arise. And I think this is work which is obviously well worth while and at the moment the most practical job which we do.

Mr. Raymond LEMAIRE: Mr. Chairman, before commenting on the written report which was circulated, I would like, with your permission, to pay a well-earned tribute to the man who has been since the inception of the Bureau the Chairman and Secretary of our Sub-committee, Mr. John Nuttall.

It is for me a real privilege to express publicly my admiration for the remarkable services he has rendered to the I.C.R.B. as well as to co-operative insurance at large. Having been associated with him since the creation of the International Co-operative Reinsurance Bureau, I have been the daily witness of his ability and of his skill. He combined with his professional experience a smiling authority and a sense of humour which has certainly been an extraordinary asset to the I.C.R.B.

Since the last conference which was held in Bournemouth in 1963, various modifications were brought to the number of reinsurance treaties handled by the Reinsurance Bureau and consequently as well to the volume of premiums related to them. The tables 1

and 2 (exhibits 8 and 9) which have been distributed will show you the evolution of the number of treaties year by year. I may say as a conclusion to those two tables that at the end of March 1966, the I.C.R.B. had handled 500 treaties representing an amount of £3 772 000, or over ten and a half million US dollars, involving the participation of 34 companies belonging to 21 countries. Compared with last year, the increase in premiums amounts to £158 000, being 4.4%.

I should like to comment very shortly on those figures. It has to be noted that during this period a certain number of existing treaties were revised or cancelled, involving a reduction of the premiums passed through the Reinsurance Bureau. Those alterations in the number of treaties and related premiums affected the premium income by an amount of £86 000.

The question which should normally arise is: why those cancellations, why those revisions? They can be traced to two possible reasons. The first one is the fact that in certain countries new legislation limited the possible cessions to foreign reinsurers. I shall comment on this point later on, when considering the future of the Reinsurance Bureau.

The second reason lies in the fact that certain companies increased their own retention and consequently decreased the amount of ceded premiums, or turned their classical quota-share or surplus treaties into excess of loss treaties.

Fortunately, new treaties and the natural expansion of the premium income ceded under the existing arrangements have more than offset the losses due to cancellation or reduction because, as I told you before, the net increase has been of £158 000. Considering the assistance given to certain member companies, I am pleased to state that two societies received a practical assistance from the Reinsurance Bureau either under the form of preferential reinsurance terms for a limited period, or by way of advice or recommendation concerning their underwriting policy. And I should add that in the latter case this was done only after careful analysis of the composition of the portfolio of the company concerned and of its claims experience.

I would now like to mention very shortly the relations we have had with various authorities of Africa, Asia and South America concerning the future development of co-operative insurance or reinsurance in those parts of the world.

Africa first: in full agreement with the Insurance Development Bureau, we kept in touch with the authorities of Nigeria and Uganda

concerning the possibility of establishing an insurance company in those countries.

Our friend Robert E. Vanderbeek went to Nigeria lately and he might be able to give further details about the situation in that country. Some members of this assembly, amongst which my friends Don Johnson and Knut Lindberg, have visited Nigeria and Uganda with me some time ago, and they are well aware of the fact that however ardent the desire of some co-operative authorities in those countries, the political situation there makes the establishment of a society more difficult than we expected. I am glad to say that I.L.O. have decided to send an actuary to Nigeria in order to make a survey on the spot and to study the possibility of establishing an insurance company in that country.

I now come to Asia, and I should like to refer particularly to three countries. The first one is India. In this country, a commission has been appointed by the Indian government in order to study the possible reorganization of co-operative insurance. The conclusion of the report of this commission if put into practice could modify the present structure of the existing co-operative insurance societies in India. The Bureau is following with the greatest attention the developments in that country, and has been requested by the regional office of the I.C.A. through the channel of I.C.A. headquarters to consider a visit to India in order to consult with the managers of the existing co-operative insurance companies, with the purpose of studying the measures which could be taken.

Now, the Philippines: The Insurance Development Bureau and the I.C.R.B. have contacted various persons who wish to promote the establishment of a co-operative insurance society in the Philippines, and they strongly advised the various promoters of insurance companies in the Philippines to meet and join their efforts in order to establish a single national organization rather than various small local organizations. From the last conversation we had with the promoters it seems that this advice has been followed. Close contacts are being maintained and, although we are not sure that this Philippine project can be realized in the immediate future, nevertheless we dare express the hope that it might be achieved in a not too remote future.

Finally, Japan. I am glad to say that as a result of a former visit and a long exchange of mail, a first reinsurance operation with Japan has been initiated this year by the Reinsurance Bureau. Let us come now to South America: Contacts have been maintained with representatives from Argentina, Costa Rica, Venezuela, Uruguay

and British Guinea. Mr. Vanderbeek referred in his last speech to the potentialities of those countries. There is no doubt that among the co-operators in those various countries there is a sincere desire either to establish a co-operative organization where they have none, or to expand the activities of the existing co-operative insurance societies.

But we must be aware of the fact that the economic conditions in some of those countries are so precarious that we must react very carefully upon their desire to expand internationally.

So much concerning the Bureau's activities in the past. You know how we stand, and I should like now to present the views of the Reinsurance Sub-committee as to the future of the Reinsurance Bureau or, more exactly, as to the future of the reinsurance exchanges between co-operative insurance societies, for such is in fact our main goal.

The Reinsurance Bureau, indeed, is not a goal in itself. It is only a means to promote the exchange of reinsurance treaties between co-operative organizations all over the world.

Its success entails that less premiums will go to the non-co-operative sector. It entails also a permanent reinforcement of the co-operative assets in the world.

I think a good approach to this kind of work should be based on facts. Let me point out a few ones.

I would first like to consider the problem in the industrialized countries. I am referring now to table 3 (exhibit 10) which has been circulated.

If you consider the figures on this table which is showing the distribution of treaties among the various types of insurance, you will notice that fire insurance is taking the largest part. It covers practically 50% of the number of treaties and 61% of the premium income passed through the Reinsurance Bureau.

Yet, we all know by experience—and I dare say, sometimes a not too pleasant experience—that fire insurance does not represent the largest part of the non-life business.

It is a fact that some member companies cede a large part of fire insurance to the Bureau and still ignore totally or partially the Bureau as concerns other kinds of non-life business. Why?—Maybe because ceding companies in accident and motor insurance prefer excess of loss treaties which are being dealt with by professional reinsurers.

This brings me to my first conclusion: has the time not come for the members of the I.C.A. to consider the feasibility of passing

their accident, motor and miscellaneous treaties—and why not their life treaties?—partially through the Reinsurance Bureau?

This could very well be done under the form of co-reinsurance with leading professional reinsurers.

And further, if the members—or, at least, some members—of the Insurance Committee are ready to accept a participation in such treaties, up to which amount?

Coming now to another point and still considering the industrialized countries: when analysing the loss and profit accounts of the various member companies of our Committee we notice that the proportion of reinsurance ceded to the Bureau members varies considerably with each Company.

As a second conclusion, I wonder whether it would be unreasonable to ask each member of the Insurance Committee to review their present treaties with non-co-operative reinsurers, with a view to reducing their volume in order to place a larger part through the Bureau which would then distribute it among the members of the Insurance Committee, with, of course, a desire to find in a reasonable span of time a fair reciprocity.

I should like now to refer to table 5 (exhibit 12).

If we compare the relationship between the distribution of population over the world and the repartition of the world income, we immediately discover that a certain number of countries or groups of countries have a share of the world income much larger than their proportionate share of the world population.

And a further analysis or observation of the volume of premiums of those countries or groups of countries shows that their share in the world premium income is more sharply influenced by their income than by the volume of their population.

Taking as an example Western Europe, we have 22% of the world premium income against 8% of the world population.

Furthermore, the number of co-operators is also proportionally larger in the above mentioned countries, with the exception of Asia. Here again we see that in Western Europe with a population of 8% of the world population we have 20% of the I.C.A. membership.

It appears from those figures that the industrialized countries of Europe and North America still represent the best prospect for increasing the reinsurance exchanges between co-operative insurance companies.

But, taking into account the population of Asia and in some way counterbalancing their economic weakness by the considerable membership of co-operators, we may consider that this continent

remains for the future a serious potential prospect, provided restrictive laws do not impair the expansion of co-operation in those countries.

In connection with the figures of table 5, we dare say that countries of Eastern Europe, on the other hand, also represent an important share of the I.C.A. membership. When I mention Eastern Europe I refer to countries behind the Iron Curtain with the exception of U.S.S.R. Their combined population amounts to 3.8% of the world population, and their I.C.A. membership to 10%.

These countries have State insurance organizations on a monopolistic basis. But they transact reinsurance with foreign countries.

Certain members of our Committee have reinsurance connections and arrangements with some of those State organizations. The Bureau could possibly, if this is your wish, negotiate an increase of exchanges with the State organizations of those countries.

I should also like to mention another problem which has arisen only recently. Some members are being faced with the difficult problem of placing on a facultative basis shares of their very important risks which cannot be absorbed by their obligatory treaties. Here again, we should know which are the members who feel ready to accept part of those risks beside their eventual shares in the obligatory treaties.

I now come to the developing countries. One might think that the establishment of new societies in developing countries sets up a potential of new treaties with as a natural consequence an increase in the volume of premiums to be handled by the Reinsurance Bureau. Unfortunately, this is only partly true. I should like to add that the financial results of newly established societies are rather precarious, especially in those countries where the lack of reliable statistics puts a heavy load of the reinsurers' shoulders. But, beside those facts, a legislative trend in developing countries might handicap the expansion of co-operative relationship with the companies operating in those countries. For obvious reasons among which we can point out a desire to stop the leakage of foreign exchange reserves which is supposed to result from operations with foreign companies and, on the other hand, a pressure from local companies, a number of developing countries have adopted a very restrictive policy devised to preclude the activities of foreign insurance companies on their own territories.

I am not going to impose on you a long enumeration of examples. However, I should like to state a few ones:

Burma, where all existing insurance companies have been

nationalized into one State organization called the Union Insurance Board of Burma, dealing with all kinds of insurance in this country.

Uruguay, where we notice the existence of a kind of State insurance monopoly—Banco de Seguros del Estado—grouping at present 70 % of the country's fire business and almost all other business.

Costa Rica, where a State insurance monopoly called "Instituto Nacional de Seguros" set up in 1925, exercises a real monopoly on all classes of business.

Ceylon, where we had in a not too remote past founded a company which the British C.I.S. helped very effectively start and become successful. Once the company was well on its way, it became nationalized.

India, where the life assurance has been nationalized and is strictly confined to the *Life Insurance Corporation*.

Furthermore, beside those State organizations, we also notice a discrimination between national societies and foreign enterprises from the point of view of taxation.

Such measures were often taken on incitements from local insurance companies in view of straightening their own position.

I am not going to review in detail the measures taken by those countries, but I should like to mention Chile and Brazil.

In reinsurance matters, it is the same with Argentina and Chile. If we consider some other parts of the world, say Pakistan, Turkey, Tunisia, India, we see that they all have legislation which makes it compulsory to reinsure, in a measure which varies from one country to another, with a State-owned or a State-sponsored organization.

Well, there is no doubt that this trend towards nationalistic measures and towards a permanent increase of the portion remaining compulsorily in the country itself throws out of balance the transactions of foreign reinsurers who will only be allowed to take part in the insurance of accumulated risks with a reduced possibility of participating in better balanced risks.

I should not give a complete picture of the situation if I did not mention another danger affecting the reinsurance operations with some countries, I mean the unsteadiness of the currencies of those countries.

I now refer to table 4 (exhibit 11). From that table you will be able to follow the statistical observation of the purchasing power of a certain number of currencies within a 20 years period. These statistics were elaborated from figures produced by the International Monetary Fund and from the yearly statistics of the United Nations.

As you can see, they show a permanent state of inflation in some countries and a regular devaluation of their currencies. It is obvious that such a situation deeply affects treaties based on a long-term policy, which is the natural basis for reinsurance operations.

When reviewing the facts which are to influence the future policy of the Reinsurance Bureau and possibly affect its development, if I mentioned the unfavorable factors I did not intend to appear pessimistic. For I dare say with great satisfaction that, in spite of those unfavorable factors, there are two strong reasons to believe in the successful future of the Reinsurance Bureau: the relentless development of co-operative insurance throughout the world and the increasing fidelity of all responsible executives of our member societies to their international co-operative organization, the International Co-operative Reinsurance Bureau.

CHAIRMAN: Well, you have had a very fine exposition of the work of the Reinsurance Bureau which, I am sure, although some of you may have found some parts somewhat technical, cannot have been otherwise than most interesting and helpful.

Probably the most important part of Mr. Lemaire's speech was his prospecting for the future and I, like him, feel that there are excellent prospects. But I would emphasize—and I know this is something that Mr. Nuttall, my deputy and the previous Chairman of this Bureau, was always emphasizing—that we do look to the established companies to give full support to the work of the Bureau because technically it is much more easy for Mr. Lemaire and his colleagues to assist the developing companies.

I hope that some of you have some comments to make on this report. Some of you here are technical insurance men and you may have something which you can say which would support what Mr. Lemaire has already said. The matter is now open for discussion.

Mr. JANNAI: I have had a previous chance to express my views on the work of the Reinsurance Bureau during a discussion in the presence of a very distinguished member of the Reinsurance Bureau at the Afro-Asian Institute in Tel-Aviv. I think that the Reinsurance Bureau in its present organization is not and will not be able to give the necessary assistance not only to new companies in developing countries, but even to more developed countries, as for instance Israel. The problems of reinsurance presently in the world are so difficult and so complicated that every insurance com-

pany and every insurance manager needs technical advice, professional advice, not once a year when renewing his treaties but every month of the year. And there are always new possibilities, other facilities are disappearing, and from my own experience I know how little assistance a company is able to receive from other companies when there has to be an intermediate in these connections. In the present world the professional reinsurers are not only people accepting business, sometimes without hope of a profit, but they are the guide of the direct insurer. We do not only get from them reinsurance facilities, we receive guidance on new policies and on new possibilities, on expanding our business. And we need the personal contact all the time. Well, I am not travelling a lot but I have met a lot of people coming to Tel-Aviv. And whenever I have a guest from the big world—we are a small country—whenever I have finished my business I am asking him “Well, is there something new, are there some new ideas, can you help us, what can we do, what can be done which has not been done now?”

I do not know whether our connections with the Reinsurance Bureau are proportionally less important than those of other companies, but anyway it is very small business and not because we do not wish for more. We offered our business, but direct insurance business has to be properly handled and it needs not only the professional knowledge but the time all the year round of an organization which can handle this business. And with all my appreciation to the gentlemen who have been active on the Reinsurance Bureau, none of them is free from other jobs, from other business and all of them do this business with great devotion in addition to other work which probably should need more time than they can spare.

I think the only solution to really develop the reinsurance side of the insurance corporation in the world is to set up a professional reinsurance company.

Well, that is enough on the matter. I want to bring up another idea which actually was indicated on the previous report by Mr. Back of the Insurance Development Bureau. I think here too—and there is some connection with the reinsurance—that we are not working in the most simple direction. It is very hard to set up an insurance society in a developing country, and from all the material which I have read and the lectures I have heard, I found out that in most cases after thorough investigation it appears that the conditions are not yet ripe to start. I think the correct and best way to start work in a developing country, or even a developed

country which has no co-operative insurance, is to start through an agency or an insurance department of the co-operative. In this way it is possible first of all to develop the co-operation between the different types of co-operatives, to educate agents, to learn the business, to make the contacts. And such an agency does not need a lot of capital. It can build up the face of the co-operatives in its country, and in due course such an agency will be able to develop until it could issue policies for another company which must not be, but can be, an insurance society. In this way I think a lot could be done, and we have some experience in this in our country where we have co-operatives, not insurance co-operatives, which have set up insurance departments. These insurance departments after several years have officials with very deep professional knowledge and they are causing a lot of trouble to us as an insurance society. But they certainly are achieving the best which can be achieved for the non-co-operatives. And in this way I believe that activities should be commenced in a new area. The final objective should be that such an insurance agency, after achieving the stage of issuing policies, could in due course with sufficient capital available, which now after we have set up the *Allnations Inc.* will probably be easier, be formed as an insurance society and could benefit from the help and guidance of the International Reinsurance Bureau. Thank you.

CHAIRMAN: Does anybody wish to develop or add to Mr. Jannai's argument? I think Mr. Lemaire would like to make a few comments.

Mr. Raymond LEMAIRE: Well, Mr. Chairman, I am very grateful to Mr. Jannai for coming to the platform to repeat what he already told us not so long ago in Israel, but I am rather surprised that he gives the same arguments again, which shows me that I have been unable to convince him that something might be wrong in his way of considering the problem. I am sure this shows me that I answered his question insufficiently at that time

Mr. Jannai tells us how he conceives the assistance to developing countries. I should like to draw here a very definite line between Israel and what we usually call developing countries. It is true that Israel geographically is located in Asia, but Israel has nothing in common with the Asiatic developing countries. The population of Israel cannot be compared with the population of the developing

countries in Asia; I am quite sure that the delegates of Asia here will confirm what I am saying.

The population of Israel, although living in Asia are coming mostly from Europe, with a past, with a high-grade education. And they are insurance-minded. They have quite another way of living, of thinking, and quite another economic development. And the kind of risk and the kind of coverage they need is completely different. So that the approach of insurance in Israel cannot be compared with the approach of this problem in the other States belonging to the same continent.

But for that preliminary remark, I am quite willing to accept what Mr. Jannai said—that he does not receive monthly advice and recommendation on the underwriting policy of his company as to the possibilities of expansion of his company, for the very simple reason he mentioned himself, that the Reinsurance Bureau is not a professional reinsurance company. The Bureau is not endowed with a permanent staff which can be spread all over the world to keep a permanent contact with ceding companies.

Whenever this conference consider that the moment has arrived to build up a professional co-operative reinsurance company, this problem can be studied and I think in that case one has to consider whether the potential business to be covered by an eventual co-operative reinsurance society could meet the cost of establishing such a company. For, after all, a reinsurance company in order to be able to balance its accounts must try and spread its risks all over the world and have the greatest possible variety of risks. I am afraid that a company starting now would have to bear a heavy handicap if we consider that some large worldwide organized societies are covering the whole world.

And I do not see in the present how a company created right now could possibly offer larger facilities than the experienced existing professional reinsurance companies. This is a problem which can be studied, I agree. But, if some day this conference or a subsequent conference decided to start an international co-operative reinsurance company, this would entail an unconditioned fidelity towards this organization. Because, if such a company had to live only on the amount of premiums ceded at present by the existing co-operative companies, I am afraid it would be a failure from the start.

Now, Mr. Jannai stated that as long as there is no possibility of establishing a society in developing countries, one way to cope with the problem would be to set up an agency. We completely

agree with these views, and I dare say that since years as well in Africa as in Asia, whenever we realized after a careful study of the economic and demographic conditions that the moment had not yet arrived to start a company, our advice was to start an agency through which local co-operators could channel the coverage of all co-operative risks, and that way teach the man in charge of the agency some professional skill.

We stand ready to train in our own companies those would-be managers.

Such an agency would not only channel all the co-operative risks but could at the same time follow the statistical development of those risks. That is why I am so glad Mr. Jannai pointed at the agency system which is precisely what the International Co-operative Reinsurance Bureau has been trying to achieve for years.

CHAIRMAN: I do not know whether there are any other comments. It is true to say, and I know this from my own knowledge, that in 1949 we spent a great deal of time studying the question of establishing an international reinsurance company, and we found that this was quite impossible. The costs would far outweigh the volume of business available, and it was as a result of this that we developed the Reinsurance Bureau which has grown from small beginnings. There is no reason, of course, as Mr. Raymond Lemaire says, why in the years to come and with an additional loyalty from the present societies and the growth of international co-operative reinsurance we should not be able to look again at the possibility of establishing a reinsurance company, but it is quite certain that the volume of business today would not justify that. I think that perhaps it is true to say that the expense incurred in running the Bureau at the moment is very low. Your expenses would go up very rapidly if you had any other sort of organization. On this question of an agency I do not think it out of place to mention that such a thing happened in Europe, in fact that your French colleagues adopted this method in re-establishing their company after the war, and they ran their co-operative business in France on an agency basis for many years, thus gaining experience and collecting the co-operative business together before they felt they could re-establish co-operative insurance in *La Sauvegarde* in Paris.

I think you will agree that this has been an exceptionally useful study this afternoon. I would like to thank on your behalf Mr. Raymond Lemaire for his contribution, and his colleagues for the work which they do throughout the year. Although they obviously cannot

physically visit all member societies or even all the new developing societies, I can assure you there are very few days when Mr. Raymond Lemaire and his colleagues are not in contact by correspondence and by telephone with one or another of the members of the Reinsurance Bureau. Our present set-up, of course, is that all those administering the Bureau are principal officials of various companies. Of course this has many advantages because by their association with well established companies they have facilities which would not be available to representatives of the very small companies, so although we have not achieved all that we set out to achieve, I am sure we shall achieve a lot more; at least I feel that we are well on our way and you may rest assured that our program and our target is to have a much bigger Reinsurance Bureau and eventually a reinsurance company.

(The meeting was adjourned at 5.30 p.m.)

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| SESSION OF SEPTEMBER 2nd 1966 |
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The second session of the Conference opened in the Ringturm at 9.30 p.m.

Mr. R. Dinnage in the Chair.

CHAIRMAN: We now proceed with our agenda. The first item this morning is the paper "Problems of Co-operative Insurance in Developing Countries" which will be introduced by Mr. Kularajah of Malaysia. This paper was circulated to you yesterday, so I hope you will have had an opportunity of reading it and will be able to take some part in the discussion.

7. Problems of co-operative insurance in developing countries

Mr. KULARAJAH: It is indeed an honour to me to have been asked to address this Conference on the problems of co-operative insurance in developing countries. This is a very wide subject and demands considerable time and space for a full discussion. The Executive decided that all addresses should not last more than 15 minutes and therefore I have designed mine to last 15 minutes. I am told now that I can have more time. I will deal with the major problems that are generally faced by insurance co-operatives in developing countries beside the normal problems faced by insurance organizations in any country. In a developing country, cooperative insurance societies face many other problems, more difficult problems too. But it is gratifying that more and more interest is shown in various countries, particularly in the developing countries, to form co-operative insurance societies for the benefit of the co-operative movement and the people of those countries. This is a good thing indeed.

Now, there are several problems, and I feel that the most important one is the lack of proper legislation, lack of proper laws for the control of insurance in the various countries. Let me first of all say that co-operative insurance societies have to face a double problem. First of all they have to comply with the co-operative law of the country, as we do in Malaysia, and at the same time work within the rules prescribed by the insurance laws of the country. This may prove difficult. Co-operative insurance societies would be unable to function with ease and freedom as is the case for a stock insurance company. Of course the most important problem is the lack of proper legislation in the country. I am sure you will be quite amused to hear the story of our mushroom insurance companies in Malaysia. Prior to 1st January 1963—only three or four years ago—we had no proper supervision and control of insurance companies in Malaysia. Any company—in fact even a trading company—could commence insurance business if the company paid a deposit of Malayan \$200 000—about US \$68 000—with the Treasury. Control was lacking and a large number of companies continued to carry on business without paying the deposit, without complying to the requirements. These companies which, in the course of time, came to be known as mushroom insurance companies, because they grew up so fast in the years 1960, 1961, 1962, became a problem

for the other insurance companies in the country. These mushroom companies did not have any actuarially calculated tables, did not require any medical examination to accept business: in fact there was no question of requiring any insurable interest at all. Anyone could insure anybody. For example, if I decided to insure Mr. Henri Lemaire, I could go to the insurance company and say "Here, I take a policy on the life of Mr. Henri Lemaire". You could insure almost anybody at all, and the only condition was that the insured person should live for more than nine months. If the person died during the first nine months, the policyholder lost his premium. If the insured person died after nine months, the policyholder cashed the insured capital.

I repeat this again. The policyholder, say X, takes a policy on the life of Y—who is, say, an old beggar picked up in the street. The policy states that if Y dies within nine months after the underwriting of the policy the policyholder loses his premium. But if Y—the beggar—lives for nine months, and dies after that, then the insured capital is paid out to the policyholder. This was gambling on human life. Naturally, since the opportunity was good to a large number of people, millions of dollars passed hands through these insurance companies. Smart guys got hold of beggars, veterans, old relatives, even old people in other people's families, got them insured and hoped they would live for nine months and die soon thereafter. During this period of nine months the insured heads were very well looked after, they were given very good food, they were treated well, and strangely enough these beggars or these old people knew on what account, but did not mind. After that period they were left to themselves to die. If the insured head unfortunately lived on after nine months and there was no likelihood of his dying, the premium for the subsequent period was not paid. This lasted for about two or three years, and then the Government brought about a bill with effect from 1st January 1963 to liquidate all these mushroom insurance companies and to exercise greater control over insurance companies operating in the country.

Such mushroom companies also existed in neighbouring countries and in fact we got them from these. In almost all developing countries the lack of legislation is a very big problem for the promotion and development of co-operative insurance.

The next important problem is perhaps the question of capital. It is difficult to raise capital for a co-operative insurance society. In Malaysia we were lucky to have a very strong Credit Union

movement, which provided the capital for our society. But in almost all developing countries to which we are now considering offering our assistance to form societies, it has been found that capital was not forthcoming and since the law would require a certain amount of deposit and a certain amount of working capital it is difficult indeed to commence co-operative insurance in those countries.

The next problem is the lack of trained management personnel. This problem is acute and is sorely resented by newly-formed co-operative insurance societies. An established society which has been in business for some time also faces the difficulty of obtaining competent staff. The shortage of trained personnel is very serious. Unless attractive terms are offered—which the limited resources of a co-operative insurance society will not allow—it is not possible to recruit the right men. Here the co-operative insurance societies in the advanced countries have been most helpful indeed. They have rendered all possible assistance and have promised their assistance for training management and senior staff for co-operative insurance societies in developing countries. In Malaysia, for example, we have only four actuaries and if we did not get the assistance of Mr. A. Duval, Actuary of the C.I.S. thanks to the generosity of C.I.S., we would not have been able to commence business at all. Without an actuary we could not have commenced life insurance business and in this way the various co-operative life insurance societies in Europe and in U.S.A. have helped us as well as the other two or three co-operative insurance societies organized in developing countries.

No progress can be achieved if we do not have the right men. But, once you get the right man, other problems come into focus. The management personnel will have to deal with Directors who are representatives of the societies that may have invested in the capital of the co-operative insurance society. These Directors may not be concerned at all with the progress of the society. Some of them may draw a much lower salary or much less income than the employees of the society. Some of them may not appreciate the value of a good employee, until it is too late. After all, a co-operative employee cannot be expected to sacrifice too much just because he is a dedicated co-operator. You will agree that it is difficult to deal with elected Directors who may not have an interest in the business. But this problem can be solved, and I believe it was solved in Malaysia by educating the Directors who have visited various co-operative insurance societies all over the world and have

come to realize our problems. In fact even today members of our staff are being trained in various places.

Lack of insurance consciousness is another problem. As the standard of literacy in developing countries is not high, an intensive educational program will have to be launched so that the ordinary man understands the value of insurance. In fact, it is the job of the co-operative insurance societies—not of the other insurance companies mind you—to educate the people, to bring about insurance consciousness among them so that the standard of living of the people can be improved.

Soon after this address of mine you will listen to a paper on co-operation between co-operative insurance societies in the world. But the co-operation between the co-operative insurance society in the country with the other co-operative societies is another problem. Unless they co-operate the progress of the co-operative insurance society is not going to be good. Even if they co-operate it may also happen that the co-operative insurance society does not progress very fast. Anyhow, I feel and sincerely believe that unless the co-operative insurance society receives the support of the co-operative movement in the country it will not be successful.

The next problem is the lack of exchange of information. We believe, and we hope that this will become effective; it has, in fact, already become effective thanks to the work of the Insurance Development Bureau, and thanks to ideas from various societies. Little co-operative insurance societies can grow bigger and bigger if they are assisted by the co-operative insurance societies in developed countries.

Higher commission rates put another problem. Other companies are able to pay higher commission rates and attract the business that way, but a co-operative insurance society in its early stages may find it difficult to get along, to pay higher rates and to compete with better established companies.

The question of investment is very important indeed. The co-operative movement expects the co-operative insurance societies to invest in the movement. Will it be desirable to do so? Will it be the best possible investment in the interest of the policy-holders? Now, if the co-operative insurance society should decide not to invest in the co-operative movement, in the housing projects, in the consumer projects, then the co-operative insurance society may run into difficulties. As a matter of fact the co-operative insurance societies have got along by investing as much as possible in

the movement so that the support of the movement is always forthcoming.

There are, of course, other difficulties. In a developing country a co-operative insurance society, like any other co-operative society, cannot make investments in property, in equity stock, in other industrial undertakings except with the permission of the Registrar of Co-operative Societies. Let us say a co-operative insurance society has decided to buy a property for \$500 000. They have gone through negotiations and finally decide that it is a good project and they have to apply to the Registrar of Co-operative Societies for permission to do so. If the Registrar should delay the matter, or the Registrar should take some time to consider this and finally grant a belated approval, the price of the property might have gone up. And then the merry-go-round again and again. These are real difficulties.

But in the more advanced developing countries provision is made in the law for them to invest and the more efficient investment procedure has been described. For example, in Malaysia, the Malaysian Co-operative Insurance Society has now got the right over the last year to invest in industrial stock and in property without getting permission from the Registrar in each specific case.

There are two or three problems which I have not mentioned in my paper, and I feel I should refer to them at this stage. One is the question of reinsurance. You will notice that I have not mentioned it in the paper. The reason is that reinsurance is not a problem. This would be particularly surprising because as far as the Malaysian C.I.S. has been concerned we were able to get the advice, the reinsurance cover for whatever business we wanted to do. And we had advice on an almost month-to-month basis to carry on our business with good reinsurance terms. At the same time we have had offers from the professional reinsurers and from almost everyone, even local reinsurance pools so that reinsurance has not been a problem at all.

The other two problems, and these are of Eastern origin as far as we were concerned, have arisen from the splitting of a Federation of developing countries, as it happened in Malaysia. For example, Malaysia was a federation of Singapore-Sarawak and the States of Malaya. Recently, last year, Singapore became independent. Now, our society was transacting business in Singapore and Malaysia. Today Singapore has its own insurance law. We happen to have a large number of policyholders in Singapore—and whether the Singapore policyholders can be members of a Malay-

sian co-operative insurance society, whether the Malaysian co-operative insurance society can continue to carry on business in Singapore, are problems which have now come up and will have to be solved in a not too distant future.

Simultaneously, Singapore has decided to issue separate currencies. So, policies issued in the Malayan dollar, which was the dollar for both Singapore and Malaysia, now have to be sorted out. There is another problem: Our policy payable in Kuala Lumpur—that is the capital of Malaysia—which was issued to a Singapore policyholder will soon have to be amended to say that it is a Singapore policy payable in Singapore dollars in Singapore. On the other hand, the requirements of investment in Singapore have been complied with, and so on and so on. These problems are widespread for the separation of territories that once were federated has not only happened in Malaysia and Singapore, it seems to happen in almost every developing country. That is an important problem indeed.

In conclusion I must add that though there appear to be so many major problems, co-operative insurance in developing countries can be a success if the members of the Insurance Committee continue to assist in the formation and organization of such societies. I emphasize that the *Malaysian C.I.S.* is perhaps the best example of what can be achieved through such assistance. The *Malaysian C.I.S.* in turn has now offered to assist others, if on a small scale. I hope by the time we meet again more co-operative insurance societies may have been formed in the developing countries thanks to the direct efforts of our Insurance Development Bureau and Reinsurance Bureau, and probably with financial assistance from *Allnations Inc.*

Thank you, Mr. Chairman and friends.

CHAIRMAN: Well, Mr. Kularajah, I think we all very much appreciate your paper and I think I was fully justified in insisting on it being duplicated so the members can take it away with them and study it at a later stage. It is a very valuable paper because it deals with some of the practical problems which enthusiastic co-operators in newly-developing countries tend to overlook. These are the sort of problems which face the Development Bureau and the Reinsurance Bureau—there is plenty of enthusiasm but people very often are not prepared to meet the problems. Mr. Kularajah has outlined here some of these. I am sure there were others which he had to overcome before he could successfully establish his insurance society.

For that reason I think that his paper is very important and I hope it will reach the co-operators who are not here today but who in years to come will be here representing societies which have been established on sound principles.

Now the paper is open for discussion and I hope you will have some comments to make and possibly some further questions to put to Mr. Kularajah.

Mr. VANDERBEEK: Mr. Kularajah has made a number of significant points in his paper. He and his company are to be commended for the great progress that they have made despite the many problems they have faced.

Conditions differ, of course, from country to country. However, it seems to me that there are certain common problems whether we are discussing developing countries or "well developed" countries. For example, Mr. Kularajah mentions need for proper legislation, trained personnel, agency commissions, education on insurance, exchange of information, and the need for a close link between the co-operative insurance societies and the co-operative movement. Certainly these are areas of interest to insurance people in any country. Thus, in commenting on Mr. Kularajah's paper, I would like to indicate some principles that have been successful in at least a couple of well developed countries and might be of value in overcoming problems in newly developing countries.

In this connection, I believe the experience of my own company is of value. *League Life Insurance Company*, as many of you know, is owned by the Michigan Credit Union League. Credit unions are co-operative, non-profit, thrift and credit societies. Almost all the insurance we write is term (risk) life insurance. We pay no commissions, we have no full-time underwriters, and very few of our employees had any prior insurance experience. Thus, we faced many of the same problems Mr. Kularajah faced. Based upon the normal reasons for success, we should have failed! However, in less than ten years, we have grown very rapidly. We insure one and one-half million people, have a premium income of over fifteen million dollars per year, and our total life insurance in force exceeds two and one-half billion dollars. Two-thirds of this volume is "Family Group Life", a plan sold by mail. For 50¢ a week a credit union member gets \$2 000 of life insurance for himself and \$1 000 for his wife and each child.

We believe the major reason for our success has been that we have tried to maximize the advantages of a close relationship with

a strong co-operative organization. We have not tried to compete with other insurance companies and offer the same types of products. Rather we have developed new, low-cost programs which could be endorsed by the co-operative leaders.

Many of these new products were developed as a result of ideas we received from members of the Insurance Committee. We found the I.C.A. Insurance Research Subcommittee Report of great value. Also, Arthur Duval, Co-operative Insurance Society's able actuary, offered several suggestions on one plan. The idea for another plan was as a result of the Rampart Policy of *Co-op Leben*. We have received reinsurance ideas from *Folksam* and *Nationwide*. On our credit union coverages, we periodically exchange ideas with *Co-operative Insurance Services* and *Desjardins Mutual*. Information about our Family Group Life Plan has been distributed to all your companies by the Insurance Development Bureau.

Some of our programs are somewhat revolutionary and are not well received by some insurance industry associations. In addition, we are having considerable difficulty because of inadequate legislation. This is particularly true in the casualty legislation area where we are developing a group auto insurance plan which, like our life insurance plan, would be sold without agents thus drastically reducing sales costs.

One might say at this point—"What does this have to do with Mr. Kularajah's talk?" My answer is that I believe that Co-operative insurance, both in well developed countries and in developing countries, faces many similar problems.

Methods of providing insurance are rapidly changing. It is no longer sufficient to say—"This is a good method—it has been successful for 50 years." Based upon my experience at *League Life* and as an observer of developments in Africa and Latin America, I would suggest the following as being several principles that might overcome some of the problems *all* of us face:

1. We should maintain a very close relationship with the co-operative movement.
2. We should constantly develop new approaches that will provide low and middle income people with low-cost insurance.
3. We should utilize the most efficient techniques to merchandise and administer insurance.
4. We should recognize our advantages as co-operative insurers and not try to compete with the same approach and products as commercial insurers.

CHAIRMAN: Thank you, Mr. Vanderbeek. Any other speakers? Any further comments on this paper? I repeat, I think it has been a very valuable paper. My only comment would be as regards Mr. Vanderbeek's remarks is that he has in his country and especially in Michigan a ready-made insurance field which I do not think would exist in many of the developing countries. I am not saying this in any way to decry what he said, but I think Mr. Kulrajah does point out that you really have to start from scratch in some of these countries, whereas Mr. Vanderbeek's company was able to overcome the agency problem and the other problems for the simple reason that they had an organization which was prepared to undertake for them what in many other countries would not be possible. Those are my only remarks, except to say that we are very glad to know that the Research Report has been of so much use to *League Life* and that if they have found it useful we hope that many other people not only in developing but in developed countries will likewise find it extremely useful.

8. Co-operation among insurance co-operatives

CHAIRMAN: The next item on our agenda is Mr. Apelqvist's paper called "Co-operation among Insurance Co-operatives" and I will ask Mr. Apelqvist to introduce it.

MR. APELQVIST: Mr. Chairman and dear friends from all parts of the world including Columbus, Ohio. As the I.C.A. President, Mr. Bonow, said, yesterday morning, the big I.C.A. Congress in Vienna next week will discuss a report of the Commission on Co-operative Principles. The Commission propose in Item 6 of its principle program, that all co-operative organizations in order to best serve the interests of their members and their communities should actively co-operate in every practical way with other co-operatives at local, national and international levels. It is generally recognized among leading people of the Alliance that the Insurance Committee and its various organs is the most successful of the auxiliary committees and as you heard already yesterday, we very often say the same ourselves. I think we can look back on a rather satisfying international co-operation among the co-operative insurance societies. But being since 1946 a member both of the Central Committee of I.C.A. and its Insurance Executive, I also think it fair to say that a lot remains to be done. The co-operative insurance

activity is well developed in some countries. It is, however, quite obvious that very good conditions exist for an activity on an even larger scale in many countries where co-operative insurance societies already operate.

Co-operative insurance societies could be started in many countries where a co-operative insurance society still does not exist, but where good possibilities to start one can be established. These are problems that we have to solve together. We also have to assist member companies which for one reason or another happen to go through a period of weakness or crisis. Statistics showing the market share of the co-operative insurance movement in important insurance branches in various countries must always be available. The Insurance Executive ought to know everything about these facts because it will be fundamental for its work in the near future. As such it is satisfactory for a co-operative insurance company to increase its number of policy-holders and its premium income, but this is not enough if at the same time its market share decreases and its methods of operation and insurance forms are old-fashioned.

It must be remembered that we are simply concerned with nothing less than the competitive strength of the co-operative form of enterprise put to test under new circumstances in a changing world. The big question is how this co-operation amongst insurance co-operatives should be organized so that we do not create new problems in our endeavour to promote the co-operative insurance movement. In the very fast-changing world we are living in, we meet situations on the international level which are totally new to all of us. We are in a way in a beginning stage, and I personally feel—and I am sure we all do—very inexperienced in the work which must be carried out on an international level. International work is always very difficult to carry out even between organizations which base their activities on the same ideas. There are some troubles, even tendencies to conflicts, when they try to find mutual solutions to different problems. It is therefore difficult to avoid disturbances in international work. And that is the reason why I want to stress how important it is that we keep each other informed about our international activities and that we try to work through the international bodies we ourselves have established.

If, from a national point of view, we find that an action taken by another member company disturbs us, we must try and understand the good will behind this action and not hurriedly suspect hidden imperialistic tendencies. If we, in spite of this, are against the action, we must find a way to talk with each other about it in

order to clear up the situation. Experience from such cases could be very valuable and serve as a lodestar for future decisions and collaborations. It is true that the extension of the possibilities in the E.E.C. area will bring about special problems for the co-operative insurance companies which for natural reasons do not wish to compete with each other. It will therefore be necessary for these companies to devise new forms of collaboration in order to cope with these and other problems. Considering that the creation of the E.E.C. will probably enable the large internationally operating private stock companies to become even more active in Europe, a number of small co-operative insurance companies in Europe may find it difficult to hold their own if they do not increase their activity through amalgamation or in other ways. The formation of a Common Market for the whole of Western Europe may therefore compel the co-operative companies to work together even more vigorously and intimately.

In such a situation I am afraid that national loyalties often prevent all of us from being sufficiently bold and farsighted. I am aware of the fact that there could be different opinions about the way to extend the co-operative insurance in the international field. I am also one of those who want to examine all new projects with an open mind and from various angles. We are, as I already have said, living in a changing world and things which we consider wrong to-day may be right in a very near future.

A certain competition between co-operative companies can in some cases be an advantage to the consumers, but generally co-operative enterprises in a country or in different countries should not be engaged in bitter competition with each other. On the contrary, they should trustfully and in concert through information on commercial activity help each other to increase the resources and effectiveness in their competition with other companies and other forms of business organizations, mainly the private capitalistic companies.

If co-operators in a country do not feel able to solve certain problems—and there are situations when people prefer, for different reasons and at least for a time, to shelve tasks that are in themselves important—then it seems natural for an international co-operative insurance organization to assist, or for the co-operative insurance company of another country to extend its aid in a suitable way.

In the future it does not seem entirely improbable that for instance the European co-operative movement, which is at the moment divided into so many units, may collaborate to the extent that one may rightly speak of a Co-operative Insurance Society of

Europe, perhaps even working together with co-operative insurance companies in other parts of the world. However, such a situation seems to-day unrealistic or even utopian. To prepare us for this future I think that we shall have to clarify the principles according to which we collaborate. I think we need to make a thorough study to accomplish this. There are many questions that have to be answered.

There are, for instance, different kinds of co-operative insurance societies within the Insurance Committee and even within the borders of some countries. Have we really considered what is the essential characteristic of a co-operative insurance society? According to our rules an insurance society can only be a member of our Committee if there exists a co-operative organization in the country concerned, which is affiliated to the I.C.A. But the trade union movement in a country can establish an insurance society with aims and ideology acceptable from a co-operative point of view. Cannot such a company be accepted as a member of our Committee? I think we need to discuss it in one way or another.

Another matter—co-operative insurance societies are to-day competing with each other, for instance in Denmark, Finland, Germany and the U.S.A. This has so far not been an obstacle for friendly relationships between the companies. However, the new situation makes it advisable that we clarify under what circumstances co-operative insurances societies can compete with each other. Private insurance companies are to-day merging into huge groups and are operating on the whole international field. They are increasingly putting the co-operative societies in a hard competitive situation. I think, therefore, that we need a study of the ways in which we can assist each other in order to increase the efficiency of the co-operative insurance movement.

Therefore I would like to propose a study to be made and presented to the full conference in 1969. I suggest that the Executive be commissioned to appoint a special committee to perform such a study. The committee could consist of one member of the Executive as Chairman, one from the Reinsurance Bureau, one from the Insurance Development Bureau and two other well-known insurance co-operators.

The practical experiences that we have acquired and the trust between the people that has been built up over decades will be of the greatest importance for the future development of co-operative insurance. The technological developments which will change all common conceptions of distance and time will result in large and

complicated structural problems for the co-operative insurance companies if we do not closely follow the developments in various countries and radically adopt the necessary measures. In my opinion, such problems can best be solved by a co-operation among co-operators unimpeded by short-sighted traditional national prejudices.

CHAIRMAN: Thank you, Mr. Apelqvist. Ladies and Gentlemen, before I ask for this discussion to continue may I as Chairman and on my own initiative, without consulting with the other members of the Executive Committee, say a few words?

There are in this paper, although not in Mr. Apelqvist's remarks, a number of references to past events. And in one case at least one of our member companies is asked to offer to this Conference some explanations of its actions. My experience is that inquests on past events tend to achieve nothing and, as Mr. Apelqvist himself states, often lead to an inflamed and irritating discussion. I am sure that you would not wish that to happen to-day. Therefore I ask all those who might wish to take part in the discussion to make their remarks completely objective. If there are any signs of the discussion becoming other than objective then I shall have to consider closing the discussion. With having said that, now the subject is open for discussion.

It appears that nobody wishes to make any comment on this paper. Now, Mr. Apelqvist in his paper poses a number of problems which he feels are likely to arise in the future. But—and I am not criticizing him for this—he does not propose any solutions, as he also feels that they are so complex as to require several years of careful study before any conclusions can be reached, and for this reason he proposes the setting up of a special sub-committee. The problems require an objective study, but whether this should be made by a special sub-committee or by the Executive Committee itself is a matter which I think you should leave to the Executive Committee to decide. If you agree, as nobody seems to have any comments to make on this paper, you should leave this matter in the hands of the Executive Committee and I can assure you that we will give consideration to some of the points that Mr. Apelqvist has made and of course we shall have the benefits of Mr. Apelqvist's comments and any further suggestions he wishes to make when we discuss this in the Executive Committee.

(Coffee break.)

One or two people have expressed the view that with the imminence of the coffee break, I did not allow people enough time to consider coming forward to take part in the discussion on Mr. Apelqvist's paper. I had no intention of cutting the discussion short—I made it quite clear that I would welcome an objective discussion. But in deference to this view I certainly would not wish it to be said that I had taken any steps which prevented a discussion, and therefore, although I am perhaps not entirely acting constitutionally, if there are any people here who would have come to take part in any discussion on an objective basis I would welcome them taking this opportunity now.

Mr. GAETA: Mr. Chairman, Ladies and Gentlemen, my dear colleagues. We have listened with great interest to the report of Mr. Apelqvist but nevertheless we would like to stress at this particular point that this overall picture of co-operation between the co-operative insurance companies all around the world which belong to the International Co-operative Alliance, could certainly give rise to a consideration. If it may be said that this co-operation is of importance in particular in the developing countries, one also has to say that such a co-operation is maybe of the same importance for all other insurance companies. The freedom of competition between the various insurance companies in those developing countries will be of advantage in particular for private insurance companies. Let us just think of the co-operative insurances in developing countries, how are they to meet the competition of private insurance? In particular if we think of the lowering of the premium income, because we have to bear in mind that in the developed countries we have had insurance companies for a long time now. We have premium incomes running into millions. This is an essential factor in the overall competitive pattern and I think that on the basis of the report that Mr. Apelqvist has submitted to us we would have to find out what possibilities there are for such co-operation, we would have to consider how, for example, the insurance companies in the area of the Common Market could collaborate and cooperate so as to cope with free competition and all the connected problems.

In particular we have to consider the problem which arises from the fact that large insurance groups are beginning to develop in the Common Market area and from this, of course, a large number of problems arise and we have to examine what possibilities there are for the co-operative insurances to come together to pool their

resources and to pool their efforts so as to develop a greater strength and to give each other mutual assistance. But we have not only this restricted pattern of the Common Market we also have to think of all the other markets which are of importance; in this connection the co-operative insurances have to be supported and they need support in particular in the less wealthy countries and, from this one thing emerges, of course: the autonomy of the co-operative insurance companies in the various countries will have to be safeguarded. But we have to meet their demands and we have to consider and envisage the possibility of a certain extent of integration because it is this integration that we need and it is also this support that we need. And we in the Common Market do not only see the possibility of coming to grips with the competition of our own private insurance companies but we also have to consider the competition which will arise from the other countries of the Common Market. This is a problem that I would like you to consider at this particular moment because I am familiar and I know the atmosphere of friendship and friendly co-operation which already exists here and which certainly offers a very fruitful basis for a good consideration of this question.

I think that in this Committee and in our Development Bureau we will certainly be in a position to find some solution for this problem so as to come to a certain consolidation of the insurance business also within the co-operative frame.

In a market of this type we have to pool our technical resources so as to be able to cope with the problems arising in such a tremendous market. Let us not forget that at least potentially we are faced with a very large market. We have a very close liaison with the Trade Union and Co-operative Movements in our respective countries, and day in and day out the Trade Union Movements apply to us and they request us to conduct a thorough study and examination of these problems. They expect us to take intensified measures because they want these insurance branches to be developed in our various countries. That applies, in any case for the Italian market, and we shall do our utmost so as to hold our own in this market. We have made very fruitful and positive experiences in the first years, but in any case the problem of support and assistance remains and we do sincerely hope that such co-operation within the Common Market will be achieved between the various insurance companies and we also hope that fruitful results will be obtained.

Again, we have heard of the Resolutions adopted in our Com-

mittee and they also form part and parcel of this overall context of co-operation, and within the meaning of these Resolutions these problems of the various countries will have to be reconsidered and we hope that it will be possible on the basis of an adequate insurance and financial policy to consolidate the insurance companies in the various countries, and we also hope that in this way means will be found to give support to the industrial co-operatives and also to consumers' co-operatives. And already to-day we are faced with the problem of a rational policy of investment which also will be for the benefit of other branches of the Co-operative Movement. And we therefore hope that in this sub-committee, as Mr. Apelqvist has suggested, also the problems of the Common Market will be thoroughly considered and examined, so that the problems of Italy and the other E.E.C. countries may be thoroughly considered and perhaps solved.

CHAIRMAN: Thank you, Mr. Gaeta. We have, of course, on a previous occasion, discussed the question of the Common Market and no doubt it is a very important factor in the operations of the co-operative insurance societies in the future.

Mr. APELQVIST: First of all, I want to thank Mr. Gaeta for his interesting points of view. Then I should like to say that since our Chairman made some remarks about my paper, I should like to point out very shortly that there are also some positive points of view about the paper among co-operators. With your permission I should like to read a few lines from two letters I have got from two well-known co-operators. The first one is Mr. F. F. Rondeau, Mutual Service Insurance Companies, in U.S.A., and he writes: "Please accept my very best compliments on your paper. This paper is exceedingly well prepared and in my view it is also timely and forthright in bringing an urgent problem into the open for appropriate discussion. We thank you for the fine manner in which you have done this. I want you to know that we in Mutual Service agree completely with the points of view you express and the questions you raise in your paper. We also fully support your proposal on the appointment of a special committee to conduct a study on this overall question. We hope that the Insurance Conference will adopt your proposal."

The next letter is from the I.C.A. President, Dr. Bonow, reading: "I want to congratulate you for the brave and constructive way you have tackled the problems. I hope that your concrete proposal

will be unanimously supported and that the very important study that you propose will be accordingly undertaken. I wish you good luck with your paper and the concrete proposal.”

And now I only want to say that I *insist* on my proposal of a special committee for a study and hope that the Conference will decide if the Conference wants to get a special committee for this study.

CHAIRMAN: Well, we have heard Mr. Apelqvist and his proposal. I suggested to you this morning that this was a matter that the Executive would look into and decide whether a sub-committee was required or whether the Executive Committee itself would take on the investigation. I still think that this is a matter which you can very well leave in the hands of your Executive Committee. We shall certainly bear in mind what Mr. Apelqvist has said in his paper and what he has just added. I am reluctant to put a matter like this to the vote, but it appears that I have no alternative. The suggestion that I have to put to you is that you instruct us to appoint a sub-committee—and I would point out that this is a sub-committee of the Executive and not a sub-committee of this Conference. The affairs of this Insurance Committee are governed by the Executive Committee which you will appoint every three years. The existing committees (the Reinsurance Bureau and the Development Bureau and the former Research Committee) are in fact sub-committees of the Executive. I suggest that the proper procedure is to leave this matter in the hands of the Executive Committee. If you wish to instruct us definitely to appoint such a committee, then obviously it is open for you to do so. In the circumstances therefore, I can only ask that you should indicate whether you support Mr. Apelqvist's insistence on the appointment of a sub-committee or whether you would leave that matter in the hands of the Executive. This again is a matter of one vote—one society. There is a question from Mr. Doss.

Mr. Doss: Mr. Chairman, my question is: does the Executive already have the authority to appoint such a committee if it elects to do so?

Mr. H. LEMAIRE: We have had a look at the rules, and they say — “Art. 7: The Executive is responsible, for the organization of the conference and the preparation of the agenda. It shall a) examine the report of the Secretary and of the members appointed to report

on the various items on the agenda; b) appoint such a committee as may be considered necessary for the conduct of its affairs.”

CHAIRMAN: In the light of the rules, it is obvious that we have power to appoint sub-committees and the matter now is whether you are going to instruct us to appoint a particular sub-committee. This is the only matter which I can ask you to vote on.

Mr. FISCHER: I should like to ask you what is the exact difference between “the Executive shall be *commissioned* to appoint a special committee”, as written in the paper of Mr. Apelqvist, and as you say “the Executive shall be *instructed* to appoint.” Is this not the same?

CHAIRMAN: The difference is this, of course, that the Executive has power to decide whether this should be done in a sub-committee or in the Executive. All I am suggesting is that it may not be necessary to do this by a sub-committee and we do not want, I think, to govern this Association by a series of sub-committees. We may appoint a sub-committee, but I do not think it is right and proper—at least it is not necessary—that this Conference instruct us. But if they do instruct us to appoint a sub-committee we would do so. The difference is that we have to appoint other outside people to investigate this matter. But I suggest that this a matter which would be better considered by the Executive before we decide whether it is dealt with by a sub-committee and whether it should be outside representatives or who it should be.

Mr. FISCHER: Excuse me, but the Executive is free to appoint members according to the suggestion of Mr. Apelqvist, and the Executive is free to decide whether a sub-committee shall be appointed or not.

CHAIRMAN: Mr. Apelqvist has *insisted* that we appoint a sub-committee. I am sorry to waste our time, but as Mr. Apelqvist has asked this conference to insist on it, and if you as a conference insist on it then we shall appoint a sub-committee. But that means that you are telling the Executive how to run its business. I think the best thing is to take a vote. If the conference decides that you insist on this being dealt with by a sub-committee, then obviously we shall have to have regard to that point. So would you vote now, whether you insist on this being dealt with by a sub-committee or

whether you leave it to the Executive to decide whether they will examine it themselves or they will appoint a sub-committee.

(Secretary calls for votes. Then is interrupted.)

Mr. BINDER: Why should the motion not be changed in "The meeting recommends to build a sub-committee"? Why to decide the meeting *insists*?

Mr. APELQVIST: I think it has been a very important question and problem I have been dealing with to-day, since it caused all this confusion at the conference. The situation is very, very simple. What I propose is that the conference should tell the Executive whether the conference wishes a special committee for studying this problem. If the Executive decide that we can deal with it in some other way, then the Executive has the power to do it. But it can be very useful for the Executive to know whether the conference thinks that these problems are so important that they are worth being studied by a special committee.

CHAIRMAN: Well, I do not think this is any different from what I said earlier suggesting that this matter should be left to the Executive, and the Executive will give consideration to Mr. Apelqvist's recommendation that there should be a sub-committee. I do not think this calls for a vote on that basis. We will note the recommendation and we will decide whether it is to be done by a sub-committee or whether we as the Executive do it ourselves. Will you accept that? Or do you want a vote on it? *(No.)*

Well, I think we must leave it at that and we will certainly follow the matter up in the way that the Executive thinks best in regard to what has been said here to-day.

9. Is it possible to improve te results in motor insurance?

CHAIRMAN: I now come to the paper which has been submitted by Mr. H. Lemaire on the question of motor insurance. This is a subject I am sure we all have a great deal of interest in and we are looking forward to a very good discussion.

Mr. Henri LEMAIRE: Mr. Chairman, my dear colleagues, when in Europe two insurers have a drink together they chat about many things: the weather, the quality of the beer, the beauty of the girls and many other topics. And usually they wind up speaking of the unsavoury results of their motor branch. Is this complaint justified? Yes. There are more and more accidents happening and they cost more and more money. And we may ask ourselves why such poor results. Well, there are many reasons accounting for that. First of all, the number of vehicles is increasing in every country. Moreover, the general traffic speed is higher than ever. Any car, nowadays, is able to be driven at more than 60 miles an hour. There is a competition open between the makers of cars, each of them steadily increasing the capacity of his cars to meet the requirements of the customers as to more speed and pick-up. The cost of living is increasing everywhere. The wages are increasing too. But it is surprising to notice that in our countries during these last three years the prices of cars did not go up. This makes them seem comparatively cheaper, so a lot of people can now afford to buy a car. And we have a number of young people in our countries driving cars, which was not the case some ten years ago.

I am convinced that you all have, like us, about one-third of your staff owning a car, although most of them are young people. As a consequence we have to face an acute parking problem. But we also have to face another problem: there are more accidents because there are more youthful drivers. For people of my age—a little over thirty or so!—use their car in order to go from one place to another. Be it more or less rapidly, it does not matter. We know that when driving a car we are likely to run into traffic jams, and we accept the nuisance with some philosophy. But young guys at the wheel fancy themselves as Jim Clarke on Indianapolis speedway. Each time they run an errand they are putting up a show, making a performance out of it.

There is another reason why accidents cost more: the premiums are put down in our tariff but the cost or repairs increases because the wages increase. That way, the claims are being indirectly linked to the index number whilst the premiums are not. So, of course, after a few years we have to increase our premiums. That is why I believe that maybe next year, maybe within five years, our premiums will also have to be linked to the index number just like the claims are. Maybe it is a little too early to achieve that, and we must in the meantime try to improve the claims statistics. What can we do to that effect? We insurers can do something and we

can also urge the governments to do something, for this problem is not only a problem to the insurers but to the whole community.

The number of people who get killed in car crashes grows into a calamity. I recently read that the poliomyelitis which is dreaded in many countries killed in a whole year in my country about the same number of people as the cars do on a single week-end. In the United States, for instance, the car crashes have already killed more people than were killed in all the wars waged since the Civil War.

So, there is a national problem and not only an insurance problem, and each one has got to do his duty. What can we insurers do? My personal feeling is that we must give a reward to the good drivers and penalize the bad ones. Moreover, we must help the authorities by advising them.

What can the public authorities do in order to improve the safety on the roads and consequently the claims statistics? Let me mention the measures which could be taken according to my opinion and hoping that you may bring forth other possibilities in the way of safety measures, or say whether my suggestions are good or bad. That is why we all are here.

The first thing to be done, I think, is limiting the speed on public roads. Speeding is likely to increase the number of accidents and to make them more destructive not only to the cars but also to the passengers and bystanders.

On the other hand, some measure ought to be taken against alcoholic intoxication. In many European countries we like to have a good dinner with a little drink afterwards. Then we sit at the wheel and drive home. I know that in some countries, like in Sweden, drastic measures were taken, and I hope somebody from Sweden may take the stand and tell us what they did in their country in order to put the drunkards straight.

Is it necessary to issue a driver's licence and make it compulsory? In my country there are no such licenses in use. Many an accident occurs, but, so I believe, proportionally no more than in France, for instance, where they have a compulsory license.

Thus, the problem is: is it advisable to have a license or is it not? Maybe you could help me solve the problem.

In some countries, like in Belgium, for instance, it is forbidden to drive a car under 18 years of age. I believe this does not apply in the United States. Provided you get a license, you may drive a car even if you are 14 or 15. Is this a good thing or not?

Is it advisable to organize a medical examination? I doubt it, because people who are somewhat deaf, for instance, prove much more careful than others.

We must insist on setting special penalties against the trespassers of traffic rules. There is a big difference on that account between the States and Belgium, for instance. When, in the U.S. the traffic light turns red, everybody stops. In Belgium everybody kicks down the gas pedal and hurries up still to make it. Which penalties could be set against dangerous drivers? Several can be considered, not only in order to penalize the trespassers but also in order to prevent them from sinning again. What about a fine? People do not worry very much about fines. These are not heavy enough and the culprits just pay them and forget them. Sometimes they even put them on the company's expense account. What about a penitentiary sentence? I believe there is a point to it.

But, in my opinion, the most dreaded punishment is the withdrawal or cancellation of the driver's license. The license's only advantage, from my point of view, is that it can be taken away. That is why the establishment of a license is being considered in my country these days. It would be delivered to anybody over 18, and could be taken away in case of traffic rules violation.

And now, what can we insurers do? I believe we made a mistake from the very start when calculating the premiums according to the car's horsepower. Maybe it is difficult to change our ways. But we have to consider that all cars are good and safe nowadays. They just can have a good or a bad driver. Of course, all people fancy themselves as good drivers. In fact, a big American car pays more premium than a small continental job, for instance a Volkswagen. But, what happens practically? The guys with a Cadillac generally drive it at leisure and are being overtaken by small sports cars driven by youngsters who pay much less premium and are twice as dangerous on the road!

I am afraid our predecessors in the trade have been a little numb on this point. Is it still possible to switch over? I do not know. If we could, things would improve, no doubt. Instead of issuing an insurance for the car we ought to issue an insurance for the driver. If we all agreed to charge the premium according to the driver's records, the latter would have a personal file with the premium increasing or decreasing according to his behaviour on the road, whatever car he drives.

Of course, this is not to be expected in a near future, and I believe that the only practical system just now is to introduce a

bonus or its contrary, a financial penalty into the insurance policy. I believe our Swedish friends began allowing a substantial bonus according to the driver's accident record.

It was a good idea, and we have followed a few years later the example they had set. Each year our policyholders claim no accidents we reduce their premiums. By not much: only 5%. But, that way, within eight years the bonus reaches 40%. When we have to pay for a claim, the premium goes up again, and the bonus is reduced by 5%. That way, there is a reward for the good driver and a penalty for the bad one.

I believe the problem I have raised here is of interest to everybody. It is really a topical problem. Now, I have only introduced the matter, and I hope that many of you will take the stand and give their opinion, so we can have a fruitful exchange of views for the mutual benefit of our companies.

CHAIRMAN: Thank you for that very interesting opening. I think I may say with respect that there is one man in this meeting who is probably more informed on motor insurance than anybody here at the moment. And he has, in fact, not personally by name, but through his company, secured the headlines in the *Manchester Guardian*—and that is an honour, I can assure you—on Wednesday, when the front page gave a good deal of information about the way in which *Folksam* is handling its motor insurance and particularly its claims repairs costs. I would therefore ask Mr. Klas Back if he would come and open the discussion on this matter.

Mr. Klas BACK: In most countries the automobile insurance companies operate under unfavourable economic conditions. There are many explanations to this, for example high claims frequency and continuously higher claims costs. It is necessary to find new methods to tackle the cost problems.

In all insurance companies efforts are, of course, made to keep the administrative costs as low as possible. Using effective automatic data processing equipment and rational routines most automobile insurance companies apparently have been fairly successful in this respect.

It is in many ways harder to influence the frequency of claims. By creating insurance forms that encourage traffic safety it is possible to achieve something. Another factor that can influence the frequency of claims as well as the extent of the claims is the design

of the cars. These problems should be tackled jointly by the insurance companies.

Concerning the claims costs it may be questioned whether the insurance companies control these costs sufficiently. The automobile repair business is not our own business, to be sure, but due to the extent of the automobile claims costs we should take a greater interest in these costs.

The largest expenses for automobile damages are those put upon the bill as labour costs and the costs for spare parts in repairing body damages. We would be a lot better off if the insurance companies could control these costs effectively.

We all know that different repair shops charge different prices for the same repairs. The charged labour costs also vary considerably according to different countries. In the magazine *Der Stern* they recently mentioned that the international bureau for automotive trade in the Hague had made a comparison between the labour costs charged in various countries. According to the paper the cost for the same repair was 100 DM in Germany, 133 in Sweden, 123 in Switzerland, 116 in France, 90 in Denmark and 73 in the Netherlands. You may find similar differences between various repair shops inside the same country.

What are the reasons for these differences? There are many logical explanations, but I still dare say that the insurance companies to-day lack the possibility to form an opinion about the reasonable cost for a given repair job.

The prices of spare parts also vary with the various countries. A certain difference can be natural due to customs duties, taxes etc. The price variations still give cause to the insurance companies to ask for a reasonable price level.

Due to, among other things, the lack of competition inside the spare parts and automobile repair trade it is to-day to a large extent impossible to form an opinion about the price policy of the trade. As the problems, largely speaking, are the same in all countries, we in Folksam think that there is a great need for a joint venture. A bureau owned jointly by co-operative and private insurance companies could for example accomplish the following:

1. Prepare international handbooks with set prices for different types of damage repairs to control the labour costs.
2. Control the prices of spare parts in different countries and study the market for spare parts.
3. Work out and develop rational damage repair methods.

4. Study the construction of appropriate spare parts for damage repairs.

5. Work out rational systems for claims assessment.

6. Study damages caused for example by the design of the car.

7. Negotiate with the car makers concerning questions of automobile repairs and traffic safety.

The joint committee of the Swedish automobile insurance companies has achieved good results through negotiations with representatives of the automobile trade, for example a 28% discount on spare parts of a certain automobile brand. Without co-operation this had been impossible. Through *Folksam's* automobile repair shop we have been able to show the way to rational repair methods which results in considerable savings. Information about this has been given earlier at a special conference in Växjö.

If we can get better results with international co-operation we should consider such a proposal seriously. We intend to take up this question in the Swedish committee and we have reasons to believe that the committee has a positive attitude towards the question.

In this field of lowering automobile repair costs the Swedish co-operative insurance society has taken the initiative in Sweden. It ought to be an interesting task for the Insurance Executive to plan an international co-operation in this respect, comprising as well private as co-operative companies. If the Executive should find it wise, they could pass the question over to the Insurance Development Bureau. The fact that millions of pounds are to be saved for the policyholders if this problem is tackled in a right way should be a strong reason for the Insurance Committee and the Executive to pay serious attention to the matter.

The meeting was adjourned for lunch at 12.30.

The session was resumed at 2 p.m.

CHAIRMAN: Before we resume, I think we should express our appreciation and record in our Minutes the fact that Mr. Slavek, one of the two Vice Lord Mayors of Vienna, spoke to us this afternoon and wished us welcome and success in our meeting in Vienna. We are very happy, Mr. Binder, that Mr. Slavek came, and would you on behalf of the Conference express our appreciation to Mr. Slavek?

There are quite a number of people who want to take part in the discussion on Mr. Lemaire's paper. First I will ask Mr. Sten Eriksson to speak to us.

Mr. Sten ERIKSSON: Mr. Chairman, it was very interesting to hear about the experiences and the viewpoints on motor insurance in Belgium which M. Lemaire has given here. It shows that the problems involved with motor insurance are practically the same in all countries. The number of cars is rapidly growing, the number of claims continues to swell and the cost of living is going up with consequences for all costs in connection with motor insurance; especially the expenses for repairing the cars.

In order to reduce the frequency of claims we have in *Folksam* tried to create policies which encourage caution in traffic and which favour safe and responsible car owners. *Folksam's* unique insurance with a claim account is an example of this. I am coming back on this special insurance in a moment.

To decrease the number of traffic accidents both information and research are required. *Folksam* together with the car owners' co-operative movement in Sweden pays every year about 100 000 Swedish Kr.—about \$20 000—to promote research work on traffic security. All insurance companies in Sweden every year donate 2.2 million Swedish Kr. to the N.T.F.—that is a semi-official organization which works for a more secure traffic in Sweden. *Folksam's* part of this donation is over half a million Swedish Kr. We have also contributed 500 000 Swedish Kr. to "Deal-For-Youth '67", a three-year information campaign in order to prepare especially the young people in Sweden for the change-over to right-hand driving which will be introduced next year in Sweden. For this information campaign we have kept contact with the official so-called "Right-hand Traffic Commission" in Sweden.

As to Mr. Lemaire's suggestion of a report to the governments of our respective countries in order to actualize measures to solve the problems of traffic security, I think that the actual situation and the conditions in our various countries are at present too different for such an action. There are differences not only concerning the forms of insurance, but also concerning the legislation about traffic security.

Regarding Mr. Lemaire's question about penalties for drunken driving, I can mention that in Sweden an alcoholic concentration in the blood of 0.8 per mil causes the driver imprisonment. A concentration of between 0.5 and 0.8 results in a fine. And you

can in Sweden be controlled by the police at any time, that is even when there has not been any accident.

The rapidly growing repairs costs was one of the reasons why *Folksam* two and a half years ago took over a motor car repair plant in Växjö.

Our experiences from this plant run according to the most modern methods, induced us to set up a special repair committee together with other big insurance companies in Sweden. The aim of this committee is to build up a wide and strong basis for our demands on the motor trade to use cost-decreasing methods and to lower the prices of car-repairing. The result of the committee work has so far been very good.

On February 1st this year all motor insurance companies in Sweden introduced a new premium system which in certain important features is the same for all companies. The most interesting thing about this system is that the premium level is based on the cost of repair of the different makes of cars. I can without any overstatement say that this new premium system in its essential aspects is a result of *Folksam's* initiative in the car repairing field. For car damage insurance the classification along different makes of cars has already given certain results. Since the first information about this classification was given, repeated contacts have been maintained with representatives from the various motor car factories. These discussions continue and often result into constructive damage cost decreasing actions.

For the compulsory third-party insurance in Sweden the premium classes are based on the prognosis from annual statistics. These statistics confirm what we previously knew in Sweden: that we need higher premiums for big cars and for sport cars. For third-party insurance we have a common bonus system with premium levels ranging from 100% down to 30% of the basic premium. In this connection I will mention that we in Sweden since the beginning of the '30's have used the bonus system to favor the good and responsible car owners.

For car damage insurance we have now discarded the bonus system and changed over to insurances with deductibles ranging from 400 respectively to 1 000 Swedish Kr. I will also mention that for young drivers we now use an extra deductible of 200 Swedish Kr. for third-party claims and 100 Swedish Kr. for car damage claims. These deductibles are justified by the fact that young drivers represent a worse risk than other drivers.

Now, about *Folksam's* motor insurance with claim account: Our experience in *Folksam* shows that a comparatively small share of the motorists account for most of the losses; the majority are safe drivers, and they naturally feel that they have to pay far too big a share of the losses caused by bad drivers and that the conventional insurance in Sweden is not quite fair to them. We in *Folksam* have found that motor insurance with claim account is the best solution for safe and responsible motorists. The operation of insurance with claim account can be outlined as follows: The car damage insurance applies for ordinary claims on the car in excess of 1 000 Swedish Kr. and for fire, windscreen, theft and car towing damages in excess of 100 Swedish Kr. This insurance is then combined with an individual claim account which is intended to cover the policyholder's own losses up to 1 000 Swedish Kr. If the policyholder has not paid enough money into his account he may borrow the rest from *Folksam*. In other words, losses below 1 000 Swedish Kr. will have no bearing on the premium, which explains why the rate can be held at a very low level. As a result no-claim motorists will largely avoid having to pay the losses of others. Furthermore, after a period of seven claim-free years they have a deposit of 1 000 Swedish Kr. This claim account insurance was introduced by *Folksam* at the end of 1964, and from the beginning not so successfully as we had expected it to be. Perhaps the reason was that the insurance was brand-new and not at all similar to the conventional ones. Since this year when the new common premium system was introduced with deductibles in car damage insurance, safe motorists are keenly interested in our new insurance. The number of claim account policies in *Folksam* has more than doubled during the last five months and between 4 and 5 thousand of these insurances are now issued every month.

Of course we in *Folksam* are very much satisfied with this result and should be happy if this particular form of insurance could be useful to other co-operative companies.

Mr. M. GASTAL: Mr. Chairman, dear Co-operators, Mr. Lemaire's report has given me some food for thought. There is a question about the ratio between the number of cars and the number of accidents and the question of speed as the cause of accidents. There is one objection I should like to make with regard to the bonus and extra premium system, but let me say a few words about the causes of accidents to which we might draw the attention of the public authorities.

French statistics have shown that, at least in France, the number of accidents is less on the increase than the number of cars which is in contrast to what is said in the report. So prevention of accidents has been effective to some extent and this makes it possible for me to make a suggestion, which is not a mere utopia. The increasing number of drivers gives rise to a problem of the lack of education which we find with many drivers and which is actually due to a lack of community spirit. The poor behaviour of the driver is contagious. Adequate education could do a great deal, especially for youthful drivers. I believe that we should insist upon this point, since as co-operators we are supposed to have this education at heart.

As to paragraph 3 of the report, I find that a problem is raised which is especially important in connection with the problem of youth. I think that we should find here appropriate technical means. Not only age is an important factor. Of course the variations of a premium may be an important factor, but there are other factors. There is for instance the road network, the design of cars, means to prevent accidents as well as injuries to the driver and passengers. Speed is certainly one of the factors which renders accidents more dangerous but speed is not the main cause. In France the limitation of speed on the roads has practically no effect due to a great variety of local rules. The majority of signs which indicate the speed limits are not taken seriously by the drivers. There are too many road signs which are put up by road contractors and the like; these signs remain in place a long time after the road-works have been completed, and effective action ought to be taken in this respect because violations of legislation in this field give rise to a lack of discipline on the part of drivers. On some roads speed is limited to as little as 45 km per hour and the police officers will not penalize drivers who go at speeds as high as 80 km an hour. In the urban areas theoretically the speed limit is 60 km per hour but the traffic police will observe without intervention cars going considerably faster. Then, all of a sudden some driver will be penalized merely because he does not know that the police have unexpectedly adopted a more severe attitude! So what we have to bear in mind is the need to rationalize speed limit and highway rules.

There are no comments I find necessary to add in regard to alcoholic intoxication. Mr. Lemaire mentioned that it is possible to withdraw driving licences. Such is, in fact, its main advantage. In France it is envisaged to make the acquisition of the driving licence more difficult. I think that this would be a very good meas-

ure to adopt, in regard to driving on the highways. Medical examinations are useless, I feel, because you cannot have them carried out every morning, which would be the only measure with a rather practical value.

There is not much to be said in regard to penalties. Of course, they are necessary and of course a different matter for each individual country. In France we see that when the holidays begin thousands of cars are going out on the roads, and this gives rise to a great number of fatal accidents; in order to counteract the violations of the highway code we have introduced a system of court-martial, right on the highway shoulder. In these courts, police officers can rule that a driving licence will be withdrawn on the spot, the driver having to go home by train or bus or to secure another driver for his car. These rulings can be passed on the basis of a mere police report. Of course, the driver concerned is often helpless, he has no adequate defence. As to penalties, I have little to add, each country having its own system. There is, however, one penalty which is energetically promoted by the higher co-operative authorities in France: the application of a deductible.

As to the comments on page 5, important comments are made with regard to the education of drivers and especially of young drivers. The solution envisaged by Mr. Lemaire is perhaps not ample enough. I think that a no-accident no-damage bonus and the system of increasing premiums where damage has occurred is perhaps in conflict with insurance principles based on the mutuality of risks. Very often bad drivers will rather make untruthful statements or switch to another insurer. If there is an increase of premiums this would have to go hand-in-hand with the obligation for the policyholder not to change his insurance company. But this would impair his rights to have a free choice of the insurance company he wishes to be insured with. I believe therefore that we should not include this among our recommendations. Now, to the road network. I think that we should see to it that all taxes which have to be borne by the automobile industry be used mainly for improvement of road traffic conditions. The construction of fairways is not a panacea but it certainly is an important factor. The improvement of the existing road network ought to be continued in the following respects: On the one hand, there should be a white or yellow side line in order to show a good delimitation of the road and shoulder. There should also be a clearly delineated line. Then a drastic reduction of the number of road signals. These should bear pictorial representations rather than texts. Despite the considerable progress

that has been made during the last few years, we see that drivers are confronted with a great number of difficulties when they have to interpret such road signs. More and more we see this difficulty arising in international traffic, so standardization is necessary, and of course the introduction of the right-hand rule in all countries will be very important. Our Committee will also have to consider the need for a general improvement of road pavement, and widening of grade crossings, and for the organization of intersections and the like. Of course we are not the first ones to think about the necessity of these improvements and we are not the ones who will provide the necessary credits, so this is a question closely related to auto-motive taxation.

And then as to the design of vehicles. This brings us to a problem which is directly related to the objectives of co-operation, namely the defence of the interests of the consumer. It is pointed out in Mr. Lemaire's report that the price of cars has not kept pace with the increase of rising costs of living. In absolute terms the prices of cars have been decreasing so that relatively speaking the prices of cars have been dumped. Why is that so? Well, in order to promote the sales the manufacturers have reduced their quality standards and they have given greater emphasis to performances of cars. In short, these are a mere rubbish. A modern car has an attractive appearance, it is racy, it is similar to a sports car and just a brittle. Very often the manufacturer will describe as a sports car a car which is actually a normal passenger car. To-day it is possible for any person to purchase a very fast car which will not have the necessary roadability and other qualities, so the life and limb of the consumer is endangered due mainly to the profit motives of the manufacturers. In our day and age the buyer of a new car is expected to sell his car after two or three years. Perhaps the owner of a second-hand car will be more careful in treating his car, but his car will be from the start a dangerous vehicle. Very often the owners of second-hand cars are novices at the steering-wheel and thus will endanger the public, not to mention the subsequent users of the car. The present system practically forces the public to buy a new car every year, it forces them to overspend and this again is not in the interest of the consumer. The prevention of accidents could also be promoted by the manufacturers of accessories. To-day we have scientific means in order to avoid the driver's eyes being dazzled by car headlights by using polarized glass. Research in this field has been carried out but has had no practical results. It was alleged that the improvement

of headlights and windscreens would be too expensive. But is there a price for human life?

Apart from this, there is another problem and that is the problem of traffic lights. The proliferation of publicity signs, fluorescent tubes used for advertising, create great confusion because these lights have often been mistaken for traffic lights or for the lights of cars. Instead of having red brake lights it would be better to have blue ones because they could not be mistaken with other lights, red being reserved for the normal traffic lights. Also legislation should be adopted with regard to any fluorescent tubes used for publicity at the side of the road. Taillights should be blue instead of red so they are less easily confused with other lights, the red-colored lamps being reserved for traffic signals only. As to accessories there is also the problem of the bumpers, the distance of which from the road surface should be standardized otherwise the bumpers are nothing but an embellishment to the car but do not provide any added safety.

Apart from that we have the problem of financial penalties imposed upon persons who have caused accidents or damage. A deductible ought to be compulsory as well for material damage as for injuries to people. In the field of physical injuries there should be a guarantee fund similar to what we have in France. Let me not conceal that the present legislation in the international field is an obstacle in the way of applying the system which consists in paying only as of a certain amount on the international level. Very often there is a tendency for us to think and to say that it is the insurer who will pay in the final analysis and therefore it is not necessary for the driver to be too cautious. I think that this is an avenue which would make it possible for us to increase the driver's consciousness of the need of doing something for safety.

I am very thankful to Mr. Lemaire for his very constructive and detailed study and I apologize for having imposed so heavily upon your time. Thank you very much.

Mr. BINDER: Just this morning I received an analysis of the third-party liability claims of our motor insurance department, and I have some figures here which I am certain will be of interest for our corporation. We can see, as usual, that the average costs of a claim which one of our insureds has outside the frontier of our country

is about 230% of the average cost of the claims inside the country. And we also see that the provinces of Austria, which have a very heavy transit traffic—in Tyrol, for instance, between Germany and Italy—also have a much higher claim ratio, and the provinces, in the east of Austria along the iron curtain have practically no transit traffic and a very low claims ratio. We had an average claim ratio in the year 1965 of 22 claims per hundred insured. In Tyrol there were 30, in the Burgenland along the Hungarian frontier there were 9. Both the higher claim ratio and the higher average costs outside the country show that this is a point which is ill. I consider it as one of the most encouraging features in this Committee, that co-operative companies at least in Europe have up to now established a very good collaboration concerning the settlement of motor car claims. I think these higher average costs outside the country show that this collaboration should be widened out and intensified. And the figures which show that the international transit traffic is the cause of a higher claim ratio suggest that it is necessary to integrate the traffic rules in all countries. May I give an example? I do not mean only the traffic rules on paper, but the traffic habits, the traffic rules in reality. We have much traffic in Austria of German tourists, both tourists and trucks. In our country when you come to a crossing, you have a red light and you stay, then the light will turn yellow and then green; only when the light has turned green the traffic starts again. In some parts of Germany it has become a habit already to start when the light is still yellow, because the time lags are shorter there than in Austria. And the German tourists who do not know that they have longer time lags start also here with the yellow light and cause heavy crashes on the crossings. I think it is a task for us to work for the integration of traffic rules and traffic habits in Europe as a means to diminish the cost of claims and to spare the lives of many.

Mr. PEDERSEN: Mr. Chairman, first I should like to express my thanks to Mr. Lemaire for his impressive report and his most inspiring presentation of it to-day. Motor insurance is an insurance companies' headache in Denmark too. For many years, however, we were satisfied with a thorough and steady development in this line, but in the late '50s and the early '60s we came to a turning point. A very big increase in the number of motorists caused a steep rise in the frequency of claims, at the same time as inflatory price and

salary development accelerated. Competition between the repair shops was ruined owing to the shortage of repair shop capacity and scarcity of labor. The result of this was that the Danish motor insurance companies had to bear enormous losses. On top of this the competition between the companies sharpened, which made an effective economic reconstitution difficult. The development in Denmark must therefore be said to confirm the experiences gained in other countries, namely that the problems in the branch are so complicated that they cannot be solved by traditional insurance methods but demand co-operation between the companies in spite of the competition that does exist and must exist between the individual companies.

Better results in motor insurance can radically be obtained by greater income or by smaller or at least not increasing amounts on the debit side. Or a combination of these two. The idea that the insurance companies should restrict their business to meet rising prices and costs, and just increase their premium rates to cover these is undoubtedly old-fashioned to-day. Increases in premiums are not popular and usually give rise to more or less deserved criticism about the insurance company's premiums policy. It is necessary that the insurance companies cover themselves against normal inflatory rises in costs and I am completely in agreement with Mr. Lemaire when he suggests an automatic index adjustment, and I can inform you that the motor insurance societies in Denmark have just decided to introduce such an index adjustment of the premiums based on increases in salaries. The consumer is familiar with such automatic adjustments based on an index scale and in our opinion will also accept a rise in insurance premiums on this basis.

I also agree that the rating must be just and that the careful drivers must be considered. In my opinion the competition inside the branch will in the future be concentrated on the good risks. With regard to the very bad risks, for example, new drivers, it also seems reasonable that these persons should pay a higher premium, and a new idea has just been carried out in Denmark on this point. With nearly all Danish companies the new drivers pay an extra premium of 40% the first year. On the other hand, we have hesitated in introducing special agreements for young drivers although there is nowadays a report which shows with certainty that such a step is necessary. But, with the ordinary new-driver supplement which I have just mentioned young drivers will also be concerned. Drivers who are well known to be a particularly bad risk present a special problem. Naturally, the individual company will make special

arrangements for these drivers, but until now it has been possible for these people to change from company to company so that it was impossible to charge them as they deserved, simply because the companies did not have a common file for these sinners. The Danish companies have now agreed that these conditions were disgraceful, and a general black-listing system has just been introduced in their common interests.

Administration expenses are a heavy item, and as an insurance man I am pleased to note that insurance companies lead in the efforts to keep these expenses down through rationalization and automation.

Without digressing further on this, I would like to mention that there is a good basis for co-operation between companies on this point too. If we look at the losses we must face, the fact is that our chances of influencing the number of accidents are not good. It is correct that results could probably be reached through co-operation between the insurance companies and the authorities. The companies have comprehensive statistical records and it would be natural to offer these to the authorities for use in road and traffic planning and in ordinary traffic propaganda.

It has been said that a deterrent can be found in the setting of tariffs either through deductibles or bonuses. As far as I can see, one cannot deny that both have a certain deterrent influence. But I do not think too much stock should be set on this. However, a deductible will undoubtedly cause the withholding of a number of claims which is obviously an advantage. In any case, the tariffs must be set so that drivers find it worthwhile to manage minor damages themselves, so that these do not become a burden through administration costs. The largest saving which can be made on the loss account is probably on car repair expenses. Our company has always led a consequent line of action in estimating the damage at the repair shops. We have been lucky enough to have a large and efficient staff of assessors and we established principles to ascertain that we pay the correct price for a given piece of work. I can mention, for example, that we have definite rules stating that all damage has to be surveyed before the repair work begins. These estimates are controlled by random investigations from the technical accounts department. This work is carried out relentlessly and we should mention that *M.L.U.* has pioneered in this field in Denmark.

Meanwhile it must be admitted that there are many problems in connection with repairs which an individual company is unable to handle alone. For example, we are completely powerless in

controlling the rise in hourly wages just as any simple company is even if it, like *M.L.U.*, represents 25% of the market. It would not be able to insist on changes in out-of-date repair methods. Using *Folksam's* experience in Växjö as a basis, we approached other companies at the beginning of last year for collaboration on this point, and the question is now so well settled that it can be said that most of the Danish insurance companies co-operate very well. It is obviously too early to say anything at all as to how this technical co-operation will affect the expense developments, but I am sure that considerable results will be achieved. As an example of this I should like to conclude by mentioning the concerted action which the Danish insurance companies took this year when several repair shops raised their prices to a degree we found totally unreasonable. The story is this: On 1st March a rise of 40 øre per hour was given to motor mechanics all over the country, partly because of a rise in the costs of living and partly as compensation for shorter working hours. In our opinion this 40 øre should have given a maximum rise in the gross prices of 1 Krone per repair shop hour. That is to say an addition of 150% to general costs. These additions to general costs must be considered to be more than sufficient as we wanted to cover the repair shops which had previously kept their prices down. Meanwhile about 400 repair shops decided to raise their prices by a considerably larger amount, in some cases as much as 3 or 4 Kroner. The insurance companies refused to accept this and when several repair shops would not reform their attitude we informed them that we were no longer able to offer them repair work. The conflict lasted a few days and petered out into new negotiations in which the repair shops concerned submitted to our point of view.

Mr. RITTNER: In the German Federal Republic as elsewhere there is a continuous increase in the number of motor vehicles. Also the trend in favor of larger vehicles is still continuing. The owners of motorized two-wheelers change over to cars and the owners of small cars are now trading in for medium-sized cars. The automobile industry, for instance the 1967 Volkswagen production program, is putting more power into the engines, from which follows a further increase in road speeds.

West Germany's still continuing prosperity makes it possible for larger and larger groups of the population to buy cars in spite of slightly rising car prices.

Young people are more and more striving to become motorized. The comparatively low prices for used cars give them this possibility. From press reports we know that, when analyzing big-city traffic accidents over a one-month period, drivers in the age-group from 18 to 24 years cause most of the accidents involving deaths and severe injuries and that most of these accidents occur during the free week-end.

Higher wages and costs of material as well as the effects of more and more expensive court decisions have brought about a marked increase in the expenditure for accident indemnity. As long as this increase continues together with a general increase in the cost of living, it will be unavoidable to further raise automobile insurance premiums, as it is unlikely that any other factors might reduce damages to such an extent as to eliminate this tendency.

It is our duty however, to safeguard that premiums are commensurate with this development in order to ensure fulfilment of the contractual commitments at any time in the well-understood interest of the victims of the road and of our insured. The measures taken by the insurers with a view to stopping or reducing the staggering rate of damages must remain inadequate for themselves. They can only be contributive to an all-out effort. The most effective measures for preventing motoring accidents must be ruled by the public, that is to say, by Government acts and ordinances, by their traffic and transport policy, by their safety and road construction programs and by their direct influence on the automobile industry and its products.

However, the example of *Folksam*, Sweden, has shown that the insurers need not restrict their activities to taking part in accident prevention schemes. *Folksam's* efforts aimed at reducing repair costs by setting up workshops of their own are very promising, and I know also from the *Wiener Städtische* that they are trying a new approach in reducing the cost of damages at places where the number of insurance contracts is sufficiently high. We in West Germany just begin with some smooth appeals to automobile repair shops.

We award our policyholders for accident-free driving by a twofold bonus-system. It takes the form of a direct discount right from the beginning and a supplementary reimbursement at the end of the financial year in case of a technical surplus.

In West-Germany the premium tariff calculations are submitted to the authorities for approval. They are calculated on the basis of statistical results and official guide-lines so that the German author-

ities are always fully aware of the situation in motor insurance business.

The main causes of severe road accidents in West Germany are as follows:

- (1) Excessive speed;
- (2) Overtaking against the rules;
- (3) Drunken driving;

General speed limits exist in built-up areas. On *Autobahns* and other public highways outside of built-up areas there are—with just a few exceptions—general speed limits only for some categories of vehicles, for instance trucks and buses, and cars with house-trailers. The introduction of a general speed limit for all vehicles on fairways and Federal Roads has been much discussed, but will probably not pass legislation because there are quite a number of arguments against such speed limit, so for instance, that according to the German Federal Office of Statistics, 70% of all accidents in past years involving casualties occurred within built-up areas and on municipal streets, against only 30% on *Autobahns* and Federal Roads outside of built-up areas.

Where in special cases already existing speed limits are exceeded (which happens unfortunately far too often) the only remedies are efficient road control and harsh punishment.

In Germany motorized vehicles may be driven only after obtaining an official driver's licence. This licence is not issued to persons under 18. A recent innovation is the inclusion of an official optometric test which must be passed satisfactorily before a driver's licence is issued.

Drunken driving is countered in West Germany by a more relentless application of the law, "intoxication at the steering wheel" being made to be understood as a criminal offence within framework of the German criminal code.

The Second Act to Ensure Road Safety of Jan. 1965, is a means of enforcing more rigorous penal provisions. In particular the harsher prosecution of "alcoholic offences" accounted for a marked decrease of road accidents during the first half of 1965. Unfortunately, in the second half of 1965 the road toll was up again. Since then this Act has worn off its edge. German legislation provides for forfeit of driver's licences and keeping offenders from the wheel by enjoinment.

Such enjoyment means short-period banning from road traffic, while forfeit of a driver's licence is usually decreed for longer periods of time.

As to West German experience the fixing of premiums according to horsepower categories has proved to be a useful expedient, since investigations made for each H.P. category have shown that the total results coincide with the overall statistics. Other characteristics would of course also be of indicative value for risk assessment, such as the subjective risk that figures particularly in the United States motor car insurance business. In West Germany further complex investigations into this matter are still under way. As far as I know it is in Sweden and France that younger car-owners in the age-group from 18 to 24 have to pay higher premiums than those over 24, in cognizance of the fact that mainly the juvenile drivers are involved in high-cost indemnity cases. But what about the fact that very often the insured who signs the contract and the driver are not the same person?

Total statistics of West Germany show that private car involvement in damages is far higher in big cities than in medium-size towns or in the country. When calculating premiums according to the true incidence of damage claims, it is therefore necessary to fix premiums at different levels firstly for car owners living in cities above 100 000 inhabitants, secondly for those in towns having a population of 5 000 to 100 000 and thirdly for policyholders living in the countryside. This situation will reflect premium assessments in Germany in the near future. The present tariff scheme allows for premium reductions for private cars and station cars only if the owners are resident in towns of less than 5 000 inhabitants; similar reductions apply to vehicles of public utilities and their employees.

Road vehicles in West Germany are officially inspected at regular intervals for road worthiness. Nevertheless, there is no foolproof guarantee against the roads being used by vehicles with technical defects. As a rule, older vehicles will develop more defects than new ones. American scientists of some reputation have therefore arrived at the conclusion:

“The danger of meeting death in a car grows in proportion to its age.”

Incidental to many accidents in West Germany is the fact that fairways, Federal Roads and other highways in their present condi-

tion can no longer cope with increasing traffic. It is therefore imperative to promote further road construction programs.

More intensive traffic control by the police and other authorities would also be desirable to reduce the accident rate.

Summarizing it can be said: We are trying to use our influence on the Government institutions and public authorities with a view to bringing about improvements in road traffic by sound laws and official measures and by intensified road construction. We appeal in public to the automobile industry to build safer cars and to increase their roadworthiness.

The insurance companies as a whole take also a direct influence on accident prevention, road safety campaigns, etc. and thus try their own best to keep this line of insurance business on a sound level.

The Christopher Foundation each year awards cash prizes to individual journalists, newspapers, magazines, etc. which have made a major effort to the accident prevention drive in road traffic.

West German insurance companies take a particularly effective influence on the traffic situation through their Office for Accident Prevention. This office has a staff of twenty, including several graduate engineers, and advises municipalities and counties free of charge on the elimination of crucial danger points, for instance in straightening out curves and improving road sections with substandard visibility conditions, etc. This accident-prevention office maintained by the insurance companies also takes independent and unsolicited action whenever the insurance companies call attention to danger spots where accidents recur at an alarming rate. The work done by this office is supplemented by money gifts for accident prevention, by maintaining a film documentation center made available free of charge to the police, to public authorities, schools and associations and by public lectures and educational work.

The insurance companies are also rendering active support wherever new accident-prevention methods are to be tried out and finance tests that may be necessary.

But in particular we reward our "accident-free" drivers: Already after one year of "accident-free" driving the policyholder is granted a 10% rebate on his annual premiums, after two years this rebate is increased to 30% and after three years without accident involvement he need only pay 50% of the regular annual premium amount for third-party liability insurance.

Owing to a wholesome and reasonable balance between the public interest and the requirements of the insurance industry in our country automobile insurance in West Germany is, on the whole, quite intact and on a sound level. But we shall have to use good sense, skill and experience to keep it that way.

Mr. CHILCOTT: Mr. Lemaire asked that we share any opinions we had on the problems mentioned in his paper. He certainly has done an outstanding job on the basic problems that seem to plague all of us involved in motor car insurance.

We think he has placed proper emphasis on:

1. Inadequate highway engineering and design.
2. Increasing percentage of young drivers in the total driving population;
3. Rising medical and repair costs;
4. Inadequate enforcement and punishment.

And we seem to be having all of these problems in our country—even what seems to be more than our share of them.

There are two or three others about which we are much concerned, and to which some efforts toward the correction are being directed:

1. Inadequate highway engineering and design.
2. Auto design that is not as safe as it could be. On this one, incidentally, legislation is being considered by both houses of our Congress which will require auto makers to include certain safety features (yet to be determined) on automobiles starting in 1968. These safety features are intended to help eliminate accidents resulting from faulty mechanism and also to have automobiles so designed that once an accident does happen, the resultant injuries would not be as severe. These include such possibilities as collapsible steering wheels, padded dashboards, collapsible front ends, etc. And while many insurance people believe that the majority of the problem centers on the driver, these safety features that are supposed to be installed on all 1968 and future models, may contribute something to reducing the number and severity of accidents.

Mr. Lemaire commented on the matter of rating by horsepower rather than by size of vehicle or driver skill. As you know, in the United States we have generally followed a system based on characteristics of the driver (age, sex, marital status, use of car, and place

of principal garaging), but we are in the process right now of researching the matter of the effect of horsepower, and I am sure we will be glad to share any results of this research with the companies represented here.

3. There is another suggestion we have for your consideration. We would recommend that you consider an International European Insurance Institute for Highway Safety to ally itself with the European Economic Community and the European Free Trade Association. The purpose would be to develop uniform international procedure for handling traffic and traffic violations. The suggestion is based on the Insurance Institute for Highway Safety that was started in January of 1959 in the United States by the three major insurance trade associations. The 1965 budget of this organization approaches \$2 000 000. Its major function is providing direct assistance and funds to officials and citizens of selected states and qualified state citizen safety organizations and to national traffic safety organizations to achieve a highway safety action program implemented by state and local governments. 33% of their budget is involved with direct assistance to states and financial support to citizens safety organizations, and 53% for financial support to national traffic service organizations.

Activities include such things as counsel and advice; and funds to improve police traffic supervision, school traffic safety education, public safety education, traffic courts, driver licensing, accident records, traffic engineering, and periodic motor vehicle inspection.

There are a couple of other questions, that, if there were time, I would like to hear discussed:

1. I am not familiar enough with your liability systems in the various countries to know if this question is appropriate, but I wonder if any consideration is being given in any of the countries to a compensation system for automobile insurance as compared with the excessive verdicts that result from the tort liability system in our country.

2. And second, whether any efforts have been made at policy-holder involvement in coping with the increased number of traffic accidents.

Again thank you, Mr. Lemaire, for your thought-stimulating presentation.

Mr. MATHESON: Mr. Chairman, Ladies and Gentlemen, due to the number of fine comments which have already been made I will

attempt to limit my remarks and I shall at least also attempt not to cover some of the points which have already been made. The motor insurance problem in our country is so severe that the recommendations proposed by Mr. Lemaire have been already accepted almost in their entirety. Now unfortunately we still have an auto insurance problem. This takes nothing away from the points made by Mr. Lemaire. In fact the experience which we have had of the points which he has mentioned is very valuable, and I do not know where we would be if we had not adopted these. But even the adoption of these methods has in itself produced some side problems. For example, as our rate classification becomes more specialized and enables statistics to be made available which inform underwriters on the experience of very specialized groups, we find that our companies become more selective in their underwriting and two things are happening. One is that the group with an unfavorable accident experience are having a very drastic increase in their rates, and secondly many of them are finding it very difficult to obtain insurance at all. This is creating great public pressure as these people go to the authorities and object, particularly if they are unable to get service, and even if they feel that the rates have become unusually high. It is natural then that the authorities will not consider the accident experience and the claims cost but will look very critically at the operating costs of insurance companies. And I am sure that no one in this room has to be told that government people listen to such arguments much more easily than to our claims for safety legislation. Though, some years ago in our country it was considered normal that 50% of the premium dollar go out in claims and 50% be allowed for expenses. About 15 years ago the insurance industry adopted a formula for the division of the premium dollar to be used in computing standard rates which allowed for 63 cents of the premium dollar to go in claims with 37 cents left for expenses. This year that formula has been revised to 67 for claims, 33 for expenses, with the forecast that in 1970 it will be 70 for claims, 30 for expenses. And I will be prepared to go further than that and say that within ten years some companies, not the average ones but those who are leading the way, will be conducting auto insurance at an expense ratio of not over 25%. Now if as co-operative insurance companies we have a responsibility to keep up with trends of this nature, surely as consumers' representative groups we have a responsibility to be leading the way. And how are we going to do it? I would like to suggest very briefly to you that we are not going to do it by attempt-

ing to introduce minor improvements in the things which we are now doing. We have to be prepared to look for radically new methods, we have to be prepared to deal directly with the consumer and maybe let him have a self-service basis to the greatest possible extent in order to reduce the expenses. We have to be willing maybe to give up some of our sacred cows within our offices, and to be willing not to reduce but eliminate entirely some of the expenses which we now have. We may have to take an entirely new look at the way we collect premium dollars. For if we are going to get down below a 25% expense ratio, it has to be done in a radically new way.

And the second point—and the last, you will be glad to know—is the one which was just touched on briefly by Mr. Dick Chilcott. That is the involvement of policyholders. It is amazing to me that as co-operative companies we have so sadly neglected an area in which we should have a special competence. For we are policyholder companies. Now I know that it is very easy to state that it is impossible to involve policyholders. I do not have to be told that here because I hear it within our own companies. But I would like to say as briefly as I can that I am not prepared to accept that statement, for we have already on a limited scale, some evidences that policyholder involvement works. And it works not only over the problems of getting these people involved; it works over our natural reluctance to give the policyholder a responsibility, a real say in what is happening about auto insurance. I will just say this, that in using that principle alone in one of our larger cities about seven years ago we started to insure taxi drivers, and I guess the taxi drivers in that city would be comparable to some that I have seen in Vienna—they are not the best risks in the world. At the present time we are insuring 95% of all the taxi drivers and owners in that city. They are doing all their policying, they are establishing their own regulations, they are looking after their own safety program completely and all we tell them is that premium is based entirely on their own records. This works. And I hope that, as we have extended this to other large consumer groups and found that even though you cannot involve very many of your policyholders in large consumer groups, actually in this job the fact that their representatives are involved and the fact that the representatives from a consumer organization or a producer organization are explaining the insurance problem to them, these policyholders are then accepting that story in a manner which they do not accept from insurance representatives even if those insurance represent-

atives are from a co-operative company. This is one area where I think there is very much to be done.

Mr. VANDERBEEK: I will confine my comments to the insurance portions of Mr. Lemaire's report.

The author's concern about the use of horsepower as the sole rating base is well founded. A satisfactory rating base must be a good indicator of the probable frequency or size of loss. Horsepower, standing alone, is not a good indicator of either. Horsepower may even prevent accidents in many cases, since more power results in more manoeuvrability when a dangerous situation arises. Accidents are not caused by powerful engines, but by the driver's unwise use of the power. It is a well known fact that the vast majority of automobile accidents are caused by driver error, and not by the condition of the vehicle.

Of course, an unskilled driver with a fast car can do more damage than the same driver with a slower vehicle, but this is a minor factor in total accident costs. In any case, the horsepower is only one factor in determining the potential speed of a vehicle. Others, such as weight and gear ratio are also important.

Horsepower was used as the rating base in the U.S.A. from 1917 until 1919 [1] *. It has not been used since the latter date, except for the 10% discount now allowed for compact cars. This discount does not usually apply to sports cars, but to small, basic transportation vehicles. The actuary of the largest auto insurer in the U.S.A. indicates that loss experience tends to justify the discount, except on collision coverage [2]. However, the good claims experience of these vehicles is probably due more to the characteristics of their drivers than to the characteristics of the vehicles. Compact cars are light in weight and underpowered in comparison with other vehicles. Consequently, they are not purchased or driven by persons who habitually drive at excessive speed or for long distances. Also, compact cars are frequently bought as a second car in the family, and are used less than the larger cars.

The major classification criteria used in U.S.A. at present relate to the skill of the drivers and the purpose for which the vehicle is used. It is not practical to test each driver to determine his skill because of the expense involved and the subjective nature of such tests. Drivers are classified into groups according to readily determinable characteristics which seem to indicate their skill.

* The figures in square brackets refer to Exhibit 16, p. 166.

The principal characteristic used is age. Statistics indicate that accident frequency is greatest at both ends of the driver's life cycle, and lowest in middle age. Sex is a factor in that young female drivers have fewer accidents and are charged lower premiums than young males. Young married males are less accident-prone and are charged lower premiums than young unmarried males. One major insurer [3] grants a rate reduction for students who maintain high grades in school, on the theory that they spend more time studying and less time driving than their fellow students. Several insurers are using psychological tests as a device to determine the accident proneness of youthful drivers. The limited statistics currently available indicate that psychological testing is an effective classification method.

Drivers are also classified on the basis of their driving record, considering both auto accidents and traffic law violations. Mr. Lemaire appears to view the bonus/malus rating system as a means of reducing insurance costs to the members of co-operative organizations and an incentive to safe driving. All available evidence indicates the system is not effective in either respect when applied to the general public. The bonus/malus system could result in lower insurance costs for co-operative members as a group only if co-operative members as a group are better drivers than the general public.

Bonus/malus rating plans have been used in many countries [4] as a means of redistributing the cost of insurance. That is, a means of requiring bad drivers to pay a higher premium, while giving a reduction in premium to better drivers. However, the total cost to the public at large has not been significantly changed. In fact, the additional expense of administering the more complex rating plan probably equals or exceeds the reduction in claims cost.

One actuary [5] observed a reduction of 50% in the number of small claims reported among members of the maximum bonus groups in his country. However, the average claim paid in this group increased sharply, so that the monetary claims were reduced by only 5%. This clearly indicates that the drop in reported accidents did not represent an actual improvement in safety. It resulted from the failure of persons insured to report accidents when the amount of the claim was less than the amount of premium penalty to be incurred as a result of the accidents. Even this improvement was largely restricted to the maximum bonus classes, the better drivers. The malus classes, where improvement is most needed, showed no significant improvement.

I have been unable to locate any study dealing with the extent to which bonus/malus plans motivate drivers to improve their driving habits and skills. However, statistics are available to show that drivers who are in the higher rate classes because of past accidents or violations tend to stay in the same classes because of continued poor driving records [6]. It is not surprising to find that the risk of higher premiums does not motivate unsafe drivers to improve. They have already accepted the risk of the much greater losses of fines, imprisonment, vehicle damage, injury and death.

There is one area in which insurers may be able to bring about some small reduction in claims through rating practices. The classification of brands of cars for rating purposes according to their built-in safety devices could bring some pressure on manufacturers to improve their products. The factors considered would have to be basic safety devices (e.g., disc brakes or pop-out windshields) which could not be rendered inoperative by the operator through lack of use.

In conclusion, it seems unlikely that co-operative organizations can, through rating devices, bring about any major decrease in the claims portion of the auto insurance premiums of their members as a group. Any substantial reduction in insurance costs must come from more efficient methods of marketing and processing. Rating devices can be used to redistribute the cost of insurance among individual members so that each person pays a premium more nearly in proportion to the amount of loss he will probably cause.

Mr. DINNAGE: All of us who are involved in writing Motor insurance find that this is the most difficult class to control.

The position in the U.K. is somewhat different from many other countries. First of all, Third Party insurance is compulsory but the bulk of motorists take out Comprehensive cover which includes damage to the owner's car as well as damage to the other party's car and also, of course, any personal injuries liability. You should bear this in mind in listening to the remarks I am making.

The British Insurance Association two years ago invited a firm of Business Consultants—McKinsey & Company—to make a thorough investigation into all aspects of the business. As the C.I.S. has the second largest Motor account in the U.K. I was appointed as a member of the Steering Committee and as a result have spent many hours at many meetings trying to resolve the

problems which emerged from the investigation. The Report has not been made public so I cannot give you an outline of McKinsey's recommendations.

Many of them would require market unanimity, which it would be impossible to secure—maybe if Great Britain joins the Common Market and we are all put into a straight-jacket unanimity will be secured.

For example, most British Motor underwriters agree that the no-claims discount is not a satisfactory method of rewarding good drivers and yet because a number of fringe companies (one of which has just failed) insist on quoting high no-claims discounts, the larger offices have been forced to increase their no-claims discounts in order to retain their business because the public still feel that this is the best system. This has been coupled with an increase in premium rates but the net effect will not produce any increase in premium *income* and the policyholder with four years free from claim will have a discount of 60%.

Out of the net premium of 40% the Office has to meet expenses and pay claims which *will still arise*. We are in fact getting to the state of non-insurance because it is estimated that in Great Britain a large proportion of policyholders meet their own claims up to £50 in order to retain their No-claims discounts, otherwise such high discounts would not work.

As Mr. Lemaire indicates, young drivers in any car are bad risks and in sports cars or hot-rods are even worse risks.

This has been recognised in the United Kingdom where we have recently raised rates for young drivers and have put a £25 accidental damage excess on drivers under 25 years of age. Personally I don't think this excess is heavy enough.

Mr. Lemaire will be interested to know that the British market has now decided to abandon the horse-power (c.c.) rating and cars are rated on the basis of the experience which the market has had of various models. This does not mean that size of engine has no bearing on the rating but it is now only one of the factors.

It is hoped that this may force manufacturers to pay attention to safety factors and repair costs because it will obviously be more difficult to sell a car if it is known that it carries a higher insurance premium than another somewhat similar car. This is something insurers can do to increase safety measures.

As regards the control of repair costs, I am sure our Swedish friends will have something to say about this. We in England—and I don't just mean the C.I.S.—have been very interested in

Folksam's experiments and may follow suit (*Manchester Guardian* article).

Despite what Mr. Lemaire says, the accident rate is not the same in all countries. It is lower in the United Kingdom than in many other European countries. This may be due to the proportion of cars per head of the population but I also think that the issue of driving licenses has some bearing on the matter.

Until a person has passed the driving test he can only drive a car if he has an experienced driver in the passenger seat and even then has to have a large red letter "L" for Learner, at the front and back of the car.

In addition to learning how to drive, he must be familiar with the Highway Code.

The Driving Test is quite severe and very few people pass it first time, which means that the most inexperienced drivers are kept off Motorways, etc.

Further, when applying for a Driving licence one has to make a declaration as to health and hearing and eyesight. Medical examination is not required but some Offices ask their policyholders over age 70 to secure medical evidence as to their fitness to drive.

It may be difficult to measure the effect of these restrictions but surely they must do something to control accidents.

Perhaps our Swedish friends can tell us what effect the alcohol restrictions have on claims in Sweden.

There are, of course, other factors which must be considered if we are to keep the cost of Motor insurance down—claims supervision, expenses of administration, including salaries and commissions.

In the United Kingdom there has hitherto been a dearth of statistics but I am glad to say this is now remedied as a result of the availability of computers.

The C.I.S. has been working for about a year on a full statistical analysis of our business and we have now joined with four other large Offices to start a Pilot Scheme for a National Statistical Bureau which, if successful, will be extended to include the whole market.

In my opinion this will probably be the most helpful step towards road safety as well as towards a more realistic basis of rating.

At present there are many theories—e.g. that speed is the most important factor in causing accidents. This may be only partly true—it is probably speed in certain conditions or on certain types

of road. We have limited the speed on all our Motorways to 70 m.p.h. but there is a great deal of dispute as to whether this is justified. With the aid of more detailed statistics this and other problems may be solved. At present many of the theories are not fully proved.

My recommendation to Governments would be to encourage a statistical approach to all motoring problems and then make people face facts. Also to follow the example set by *Folksam* in establishing a repair centre.

CHAIRMAN: We have had a very good discussion. I do not want to close it unnecessarily, but time is getting on and Mr. Lemaire will be making some comments on the various contributions which you have made and which have all been most interesting and valuable.

Mr. Henri LEMAIRE: I feel rather self-conscious at the unexpected success of my paper. We thought we should close down this morning, but it is now 4 p.m. and I could not possibly reply and criticize each and every comment. You brought a lot of valuable information here, and we will study it with great pleasure when the Minutes of this Conference will be compiled.

Several speakers are of the opinion that a lot of things ought to be done, as I gathered from their comments. For instance we should have better roads. This is true. But the problem is not ours. Some say that the money from the taxes ought to be used for improving the road network. Unfortunately this is not our problem once again. Nowadays it seems to be difficult getting influence with the authorities. Anyhow, we can tell them: we want a preventive action in the line of safer cars. I heard with great pleasure that in the United States they are now trying to do something in this respect so as to reduce the shock and the injuries in case of a crash. Our friend Gastal said that the French cars are being built too lightly. There too something has to be done. Some of you, among which our friend Otto Binder, pointed out quite wisely that we ought to have the same traffic signals and posters in all countries. When you are abroad you do not always understand what signals are intended to confer. The importance of having everywhere the same traffic rules, the same traffic signals and the same traffic habits is not to be disregarded.

Now, there is something I believe everyone agrees about: the necessity of education. Education begins in school and should be

pursued everywhere and relentlessly. This is, I am afraid, a quite new angle in many countries. In mine and in a growing number of others, the teachers teach their pupils the main traffic regulations. But, unfortunately, they are in most countries underpaid and cannot afford owning a car, a circumstance which does not help them grasp the traffic problems. I hope that with time things may improve in this respect. Several speakers mentioned what *Folksam* has achieved in Växjö. I think *Folksam* made a splendid job of it. There is no doubt that the cost of the car's repairs is a very important item in the total cost of a claim. However, after what I have heard and read about *Folksam's* experiment in Växjö, I wonder whether it is possible for a company to handle such a formidable enterprise single-handed. And I understand with great pleasure that in Denmark the various companies are acting in close contact in view of a reduction of the car repair costs.

There are points about which different opinions have been expressed, for instance: the matter of bonus or extra premium. The French do not endorse my views on the matter. And I hardly could decide whether they are right or not.

On the other hand, I have heard with great pleasure that my proposal on the automatic adjustment of the premium to the index will very soon be applied in Denmark. Success in this field requires a very sound understanding between the various companies, which is hard to obtain because we are competitors. And we have all experienced that sometimes an agreement may be formally reached between all companies and nevertheless some of them manage to evade their obligations...

CHAIRMAN: Well that brings us almost to the end of our agenda. On the agenda before you you have the next item, the appointment of an auditor. This in fact could very well have been done when we considered the financial statement, but it is proper procedure that you should appoint an auditor and the accounts are in fact audited by the Co-operative Bank in Brussels which the Executive agreed were a suitable organization to do this work some years ago. If you wish to inspect the audited accounts, Mr. Lemaire has them available to show you. Will you agree that they continue to be audited by the Co-operative Bank in Brussels or do you want some other Co-operative Bank to do it? Agreed? Thank you.

At the last conference in Bournemouth Mr. Guldberg introduced briefly a paper on co-operative pensions and if you have read our 1963 reports you will see that we did say we would ask Mr. Guldberg

to go into this matter further and to submit a report at this conference. Well, this has not been possible. The preparation of the questionnaire which it was agreed should be issued has proved to be much more difficult than was originally anticipated and further I must accept some of the blame for the delay because when Mr. Guldberg drafted the questionnaire some time ago he sent it to us in Manchester and I had a look at it and asked for some of my colleagues to have a look at it, and I regret to say that we spent some considerable time and for part of that time in fact it was simply lying in the office. So by the time we had been able to return it to Mr. Guldberg it was obvious that it would be quite impossible that anything be done for this conference. The Executive considered this on Wednesday and decided that this paper should be presented and that Mr. Guldberg should carry on with the completion of the questionnaire and present a paper on Co-operative Pension Funds as a complement to social insurance at the 1969 conference. I think this is probably a disappointment to Mr. Guldberg but it will be nonetheless valuable because it has been deferred for three years. The questionnaire will be issued shortly by Mr. Lemaire, the Secretary, and you will receive from Mr. Guldberg some indication as to how the questions should be answered. If you have any difficulty about this, don't hesitate to write to Mr. Guldberg to ask for enlightenment because he does, and we all do want the facts which he collects to be reliable and something on which he can base his decisions and recommendations. So will you accept that we have perhaps slipped up in not having before you a paper to-day on co-operative pension schemes and you can look forward to receiving this in 1969.

The next item on the agenda is the election of a new Executive Committee, and I believe that Mr. Binder would like to say a word on this matter.

Well, Mr. Binder has proposed the re-election of the present Executive Committee en bloc, but I would ask whether there are any other nominations.

Mr. APQLQVIST: I think there can be some reasons for re-election of the sitting Executive Committee. Take, for instance, the experiment about *Allnations, Inc.* and the Loan Guaranty Fund. But I think that from a real democratic point of view it is only fair to the conference to tell you before you go to re-election that some members of the Executive will not remain in their position with their companies until the next full conference.

CHAIRMAN: Mr. Apelqvist, this is perfectly true. This matter was discussed at the Executive the other day and the only case I know of positively is myself. I shall be retiring at the end of next year and I have already asked for other nominations and I am quite happy if you decide that we should not accept Mr. Binder's recognition. My successor has not been appointed, so I could not nominate anybody from the C.I.S. in my position. I would also add that the rules which were amended some six years ago to deal with this sort of situation give the Executive Committee power to co-opt during the intervals if any vacancies arise. I now repeat that Mr. Binder has moved the re-election of the Executive Committee en bloc but as I said earlier I would ask for any other nominations. (No other nominations were received.)

If it is agreed that the present Committee be re-elected we will do our best to serve you for another three years—well, some of us: I shall not be here in three years' time—but I can assure you I know that my colleagues will carry on the good work. (Agreed)

Now before I close the meeting I am sure you would wish me to say to Mr. Binder and his staff and his office how much we appreciate the excellent arrangements which have been made here, the pleasure which is obvious they have had in receiving us, the facilities which they have provided.—This room has been especially fitted up, all this equipment, these desks came I believe from the trade unions especially for us to sit at—and altogether the lavish hospitality we have received, Mr. Binder, even last night some of us survived! Also the gift you presented us with, a long-play record when we arrived yesterday morning. This is all an indication of the pleasure you have had in receiving us and I can assure you that it has given us a great deal of pleasure to come to Vienna. I have recollections of my previous visits which were equally happy. We only hope that we shall see some of you in another place next year. In the meantime, to Mr. Binder and his colleagues we express our very grateful thanks.

Mr. BINDER: Thank you for thanking us, and I can say it is a very big honour and a very big excitement having you here, and I hope that this evening and to-morrow things will prove as satisfying to you as the last two days have been to us. I wish you a very good stay in Vienna over these last days you are here, to-morrow and also perhaps next week.

CHAIRMAN: Well, this concludes the business. Thank you.

(The Conference was concluded at 4.15 p.m.)

EXHIBIT 1

Secretary's Report to the Triennial Conference of the Insurance Committee held in Vienna, September 1966

The main concern of all responsible men nowadays is how to ensure prosperity and welfare throughout the world, which is moreover the only way towards a universal and everlasting peace.

The I.C.A. Insurance Committee endeavour in their own field to contribute to the realisation of this ideal.

During the last Full Conference held in Bournemouth (1963) a series of important resolutions setting out the principles which should be followed to achieve this ideal, were unanimously passed.

Let us now consider two of the most important among those resolutions and set out the practical conclusions reached since then by the Executive Committee.

"ALLNATIONS" AND LOAN GUARANTY FUND

The members of the Executive are positive that no action in developing countries can be successful unless at least two conditions are fulfilled.

First of all, there must be in the involved country a common desire for the incorporation of an insurance co-operative, this desire being supported by the local co-operative authorities.

Secondly, financial support from abroad may be necessary, but if so, this support should be of a limited duration and backed by the local co-operative movement. It would not be sound to allow all the money required to come from abroad. Moreover, it must be clear from the start that any money borrowed from abroad will have to be reimbursed within a reasonable period of years.

A financial set-up has been designed in order to simplify the procedure whilst giving as much security as possible.

In order to facilitate the granting of loans under the above-mentioned conditions, it will be proposed to the delegates to the Full Conference

meeting in Vienna that they agree to establishing a corporation called "*Allnations*" the shares of which should be subscribed by the companies affiliated with the I.C.A. Insurance Committee. Dividends will be paid out annually to the shareholders.

The *Allnations* corporation will absorb the already existing Loan Guaranty Fund amounting by now to nearly £6 000, the purpose of which is to make good any losses that may occur in connection with loans granted to developing countries' co-operative organizations.

The proposed arrangements should simplify the granting of financial support to the Co-operative Movement in developing countries which desire to incorporate insurance co-operatives of their own.

A full report on the matter will be delivered to the Conference in Vienna.

THREE YEARS' PROROGATION OF THE INTERNATIONAL INSURANCE DEVELOPMENT BUREAU

In most instances financial support from abroad will not prove a sufficient asset. Technical help will be required also.

The Reinsurance Bureau has provided this kind of assistance for many years.

At the Bournemouth Conference the Executive recommended the establishment of a Development Bureau to carry out the recommendations of the Research Committee and to support the developing countries in their efforts towards incorporating and launching insurance co-operatives.

Accordingly, the Full Conference will be invited to approve a recommendation from the Executive that the International Insurance Development Bureau be appointed for a further three years.

It is appropriate that I should mention that the International Insurance Development Bureau has at the wishes of the Executive done a splendid job of preparing *Allnations'* incorporation.

REINSURANCE BUREAU

A Conference of the Insurance Committee would not be complete without a report of the splendid results achieved by the Reinsurance Bureau.

A reference to this matter is particularly desirable as Mr. John L. Nuttall, Deputy General Manager of the *Co-operative Insurance Society* in Manchester (Great Britain), the man who has been one of the pioneers of co-operative reinsurance and who since the establishment of the Bureau has acted as its Chairman and Secretary, has now reached retirement age and is giving up his professional duties.

Since 1949, when the Bureau was first established, Mr. Nuttall has devoted a good deal of time to the development of international co-operative reinsurance.

In consideration of this, the Executive meeting in Brussels on April 21st and 22nd, 1966, decided to express to Mr. Nuttall their gratitude in the following terms:

“At their Meeting in Brussels on 21st of April 1966, the members of the Executive Committee of the Insurance Committee of the International Co-operative Alliance placed on record their great appreciation of the outstanding contribution which John L. Nuttall has made over a period of 17 years to international co-operative insurance and reinsurance as Chairman of the International Co-operative Reinsurance Bureau.”

The Executive Committee approved a unanimous recommendation from the Reinsurance Bureau members that Mr. Raymond Lemaire be appointed Chairman of this Subcommittee.

Raymond Lemaire also has been a member of the Bureau since its commencement in 1949. He has taken part in all its vicissitudes and activities from the beginning so that he is familiar with the problems of reinsurance.

There is no doubt that he will prove a worthy successor to Mr. Nuttall who has displayed in this capacity so much talent.

Mr. Raymond Lemaire will report to the Conference on the Reinsurance Bureau's development during the past three years.

AGENDA TO THE FULL CONFERENCE

In addition to the three above-mentioned reports, the Executive Committee deemed it timely to submit to the members of the Conference some matters of general interest to all affiliated Societies. Accordingly, the Agenda to the Conference was established as follows:

- (1) Minutes of the last Full Conference (Bournemouth).
- (2) Report of the Secretary.
- (3) Financial Statement 1963-1966.
 - (a) Insurance Committee budget
 - (b) Loan Guaranty Fund
- (4) Allnations and Loan Guaranty Fund introduced by Mr. Robert Dinnage, Great Britain.
- (5) Development Bureau report introduced by Mr. Klas Back, Sweden.
- (6) Reinsurance Bureau report introduced by Mr. Raymond Lemaire, Belgium.
- (7) Problems of co-operative insurance in developing countries introduced by Mr. N. A. Kularajah, Malaysia.
- (8) Co-operation among insurance co-operatives introduced by Mr. Seved Apelqvist, Sweden.
- (9) Is it possible to improve the results in Motor insurance? introduced by Mr. Henri Lemaire, Belgium.
- (10) Appointment of an Auditor.
- (11) Election of the new Executive Committee.
- (12) Any other business.

A financial report will be circulated to the delegates to the Conference.
The present members of the Executive Committee are:

Messrs.: Robert Dinnage, Great Britain, Chairman.
Seved Apelqvist, Sweden, Vice-Chairman.
Henri Lemaire, Belgium, Secretary.
Bowman Doss, U.S.A.
Willy Maurer, Switzerland.
G. Lloyd Matheson, Canada.
N. A. Kularajah, Malaysia.

The 1966 Full Conference in Vienna is likely to appear as a milestone in the history of the Insurance Committee.

We fervently hope that on this occasion a step forward will be taken towards a practical implementation of our Common purposes.

Henri LEMAIRE,
Secretary.

EXHIBIT 2

**Financial Statement
Insurance Committee Budget and Loan Guaranty Fund
1963-1966**

(All figures are expressed in Belgian Francs)

Cash on deposit with:

| | |
|--------------------------------------|-----------|
| Société Générale de Banque | 869 469 |
| Coop-Dépôts | 2 330 862 |

Apportionment:

| | |
|--------------------------------------|----------------|
| Insurance Committee budget | 2 401 142 |
| Loan Guaranty Fund | <u>799 189</u> |
| | 3 200 331 |

£1 = ± 140 Belgian francs

\$1 = ± 50 Belgian francs

3 200 331 B.fr. = ± £22 860

= ± \$64 007

INSURANCE COMMITTEE BUDGET

BUSINESS YEAR 1963

(30 August to 31 December 1963)

INCOMES

| | | |
|---|--------------|-------------------------|
| Brought over from 30 August 1963 | | 1 108 735 |
| <i>Remitted Contributions</i> | | |
| Cooperativa de Seguros de Vida, Puerto Rico | <u>7 421</u> | 7 421 |
| | | <u><u>1 116 156</u></u> |

INSURANCE COMMITTEE BUDGET

BUSINESS YEAR 1963

(30 August to 31 December 1963)

EXPENSES

| | | |
|---|--------|-----------|
| Invoice <i>Coopérative Ouvrière de La Louvière</i> for the forwarding of the reports | 261 | |
| Photocopy Bournemouth Conference report | 7 420 | |
| Travelling expenses assistant secretary | 3 403 | |
| Refunded <i>C.I.S. Manchester</i> £176-15-3 for lunches of delegates in Bournemouth | 24 848 | |
| Refunded <i>C.I.S. magnetic tapes</i> recording | 15 136 | |
| Travelling expenses Mr. Hyde to Bournemouth | 25 225 | |
| Six months salary assistant secretary | 49 920 | 126 213 |
| | | |
| To carry over | | 989 943 |
| | | 1 116 156 |

INSURANCE COMMITTEE BUDGET

BUSINESS YEAR 1964

INCOMES

| | | |
|--|---------|-----------|
| Brought over from 1963 | | 989 943 |
| <i>Remitted Contributions</i> | | |
| Coop-Leben, Basle | 6 952 | |
| Samvirke, Oslo | 6 949 | |
| Mutual Service, Saint-Paul | 17 849 | |
| Vemaco, Rotterdam | 6 945 | |
| Wiener Städtische, Vienna | 16 127 | |
| La Sauvegarde, Paris | 6 946 | |
| Nationwide, Columbus | 172 105 | |
| Raiffeisendienst, Wiesbaden | 14 175 | |
| Kansa, Helsinki | 6 947 | |
| Co-operative Insur. Services, Regina | 7 210 | |
| Alka, Copenhagen | 6 942 | |
| Samvinnutryggingar, Reykjavik | 6 964 | |
| Les Assurances Populaires, Brussels | 6 949 | |
| Co-operators Insur. Association, Owen Sound | 6 950 | |
| Malaysian C.I.S., Kuala Lumpur | 6 942 | |
| La Société d'Assurances des Caisses Popu- laires, Levis | 6 947 | |
| De Centrale, The Hague | 6 947 | |
| National Co-op. Insur. Soc., Australia | 6 928 | |
| Folksam, Stockholm | 35 987 | |
| L'Assurance-Vie Desjardins, Levis | 6 941 | |
| Hassneh, Tel-Aviv | 6 949 | |
| League Life Insurance, Detroit | 6 957 | |
| Mutuelle U.C.C., Montreal | 6 943 | |
| La Prévoyance Sociale, Brussels | 9 344 | |
| Kooperationens Pensionsanstalt, Stockholm . | 6 945 | |
| Pohja, Helsinki | 6 929 | |
| Eigenhilfe, Hamburg | 7 919 | |
| National Federation Ins. Co-op., Tokyo | 6 914 | |
| Alte Volksfürsorge, Hamburg | 32 367 | |
| C.I.S., Manchester | 88 832 | |
| The Union Co-op. Ins. Soc., Bombay | 6 911 | |
| Samvirkende Danske, Copenhagen | 9 766 | |
| C.I.S. of Pakistan, Lahore | 6 880 | |
| | | 564 358 |
| <i>Interests Bank Deposits (as per 31 Decem- ber 1963)</i> | | 4 522 |
| | | 1 558 823 |

INSURANCE COMMITTEE BUDGET

BUSINESS YEAR 1965

INCOMES

| | | |
|--|---------|-------------------------|
| Brought over from 1964 | | 1 373 245 |
| <i>Remitted Contributions</i> | | |
| Co-op General Insur. Soc., Hyderabad | 6 922 | |
| Raiffeisendienst, Wiesbaden | 16 048 | |
| Vemaco, Rotterdam | 6 904 | |
| Kooperationens Pensionsanstalt, Stockholm | 6 904 | |
| Eigenhilfe, Hamburg | 8 560 | |
| Les Assurances Populaires, Brussels | 6 905 | |
| Samvinnutryggingar, Reykjavik | 6 927 | |
| Samvirke, Oslo | 6 907 | |
| National Co-op. Insur. Soc., Australia | 6 884 | |
| Coop. de Seguros de Vida, Puerto Rico | 6 932 | |
| Kansa, Helsinki | 6 909 | |
| Nationwide, Columbus | 182 073 | |
| League Life Insurance, Detroit | 6 929 | |
| Wiener Städtische, Vienna | 17 706 | |
| C.I.S., Manchester | 94 064 | |
| Pohja, Helsinki | 7 311 | |
| La Sauvegarde, Paris | 6 914 | |
| Coop-Leben, Basle | 6 920 | |
| Alka, Copenhagen | 6 911 | |
| Co-operators Insur. Association, Owen Sound | 6 912 | |
| Alte Volksfürsorge, Hamburg | 37 483 | |
| Mutual, Services, Saint-Paul | 10 844 | |
| La Prévoyance Sociale, Brussels | 9 966 | |
| Malaysian C.I.S., Kuala Lumpur | 7 056 | |
| L'Assurance-Vie Desjardins, Levis | 6 922 | |
| C.I.S. of Pakistan, Lahore | 6 921 | |
| Co-op General Insur, Soc., Hyderabad | 6 942 | |
| Zenkyoren, Tokyo | 9 867 | |
| Folksam, Stockholm | 35 823 | |
| Hassneh, Tel-Aviv | 6 914 | |
| Samvirkende Danske, Copenhagen | 12 025 | |
| Mutual Services, Saint-Paul | 6 912 | |
| La Société d'Assurances des Caisses Popu- laires, Levis | 6 907 | |
| National Federation Ins. Co-op., Tokyo | 9 676 | |
| De Centrale, The Hague | 6 910 | |
| Co-op. Insurance Services, Regina | 6 841 | |
| The Union Co-op. Insur. Soc., Bombay | 7 050 | |
| | | 617 602 |
| <i>Interests Bank Deposits (as per 31 Decem- ber 1964)</i> | | <u>71 404</u> |
| | | <u><u>2 062 251</u></u> |

INSURANCE COMMITTEE BUDGET

BUSINESS YEAR 1965

| | | EXPENSES |
|--|---------|-----------------|
| Annual salary assistant secretary | 99 278 | |
| Six months salary the same | 49 640 | |
| Mailing expenses 1964 | 13 007 | |
| Refunding <i>Folksam</i> Development Bureau's expenses (£2 000) | 100 292 | 262 217 |
| | | |
| To carry over | | 1 800 034 |
| | | 2 062 251 |

INSURANCE COMMITTEE BUDGET

BUSINESS YEAR 1966

INCOMES

| | | |
|--|---------|-----------|
| Brought over from 1965 | | 1 808 034 |
| <i>Remitted Contributions</i> | | |
| Vemaco, Rotterdam | 6 952 | |
| Samvirke, Oslo | 6 936 | |
| Co-op. Insur. Society, Manchester | 99 774 | |
| La Sauvegarde, Paris | 6 940 | |
| Coop-Leben, Basle | 7 047 | |
| Kansa, Helsinki | 6 948 | |
| Mutual Services, Saint Paul | 11 337 | |
| Les Assurances Populaires, Brussels | 6 976 | |
| Nationwide, Columbus | 187 948 | |
| Eigenhilfe, Hamburg | 9 174 | |
| League Life Insurance, Detroit | 6 929 | |
| Wiener Städtische, Vienna | 20 701 | |
| Alte Volksfürsorge, Hamburg | 42 791 | |
| Pohja, Helsinki | 8 475 | |
| Folksam, Stockholm | 42 173 | |
| Co-operators Insur. Association, Owen Sound | 6 943 | |
| La Société d'Assurances des Caisses Popu- laire, Levis | 6 942 | |
| Raiffeisendienst, Wiesbaden | 18 195 | |
| Hassneh, Tel-Aviv | 6 937 | |
| Co-op General Insur. Soc., Hyderabad | 6 962 | |
| La Prévoyance Sociale, Brussels | 10 014 | |
| Malaysian C.I.S., Kuala-Lumpur | 6 921 | |
| L'Assurance-Vie Desjardins, Levis | 6 933 | |
| Co-op. Insurance Services, Regina | 7 660 | |
| Alka, Copenhagen | 6 921 | |
| Kooperat. Pensionsanstalt, Stockholm | 6 921 | |
| National Federation Ins. Co-op., Tokyo | 12 994 | |
| Eigenhilfe, Hamburg | 278 | |
| Samvinnutryggingar, Reykjavik | 6 945 | |
| Coop. de Seguros de Vida, Puerto Rico | 6 939 | |
| Samvirkende Danske, Copenhagen | 12 612 | |
| | | 602 218 |
| <i>Interests Bank Deposits (as per 31 Decem- ber 1965)</i> | | 65 273 |
| | | 2 467 525 |

INSURANCE COMMITTEE BUDGET
BUSINESS YEAR 1966

| | | EXPENSES |
|---|--------|-----------------|
| Six months salary assistant secretary | 49 929 | |
| Mailing expenses 1965 | 12 854 | |
| Acknowledgement to Mr. Nuttall (scroll) . . . | 3 600 | |
| | | 66 383 |
| | | |
| Balance as per 30 July 1966 . . . | | 2 401 142 |
| | | 2 467 525 |

LOAN GUARANTY FUND - REMITTED CONTRIBUTIONS

BUSINESS YEAR 1964

| | | |
|--|----------------|---------|
| Coop-Lebensversicherung, Basle | 1 530 | |
| Vemaco, Rotterdam | 278 | |
| Wiener Städtische, Vienna | 9 316 | |
| La Sauvegarde, Paris | 556 | |
| Nationwide, Columbus | 107 165 | |
| Raffeisendienst, Wiesbaden | 8 478 | |
| Kansa, Helsinki | 2 223 | |
| Co-op. Insurance Services, Regina | 3 189 | |
| Alka, Copenhagen | 417 | |
| Samvinnugryggingar, Reykjavik | 696 | |
| Les Assurances Populaires, Brussels | 1 112 | |
| Co-operators Insur. Association, Owen Sound | 2 363 | |
| Société d'Assurances des Caisses Populaires, | | |
| Levis | 2 084 | |
| De Centrale, The Hague | 2 362 | |
| Eigenhilfe, Hamburg | 5 410 | |
| Samvirkende Danske, Copenhagen | 1 659 | |
| Folksam, Stockholm | 18 472 | |
| L'Assurance-Vie Desjardins, Levis | 2 777 | |
| Hassneh, Tel-Aviv | 2 362 | |
| League Life Insurance, Detroit | 556 | |
| La Prévoyance Sociale, Brussels | 5 431 | |
| Koop. Pensionsanstalt, Stockholm | 1 250 | |
| Mutuelle U.C.C., Montreal | 2 771 | |
| Pohja, Helsinki | 3 049 | |
| National Federation Insur. Co-op., Tokyo | 277 | |
| Alte Volksfürsorge, Hamburg | 19 227 | |
| C.I.S., Manchester | 58 391 | |
| The Union Co-op. Ins. Soc., Bombay | 138 | |
| Samvirke, Oslo | 5 557 | |
| The C.I.S. of Pakistan, Lahore | 276 | |
| | <u>269 372</u> | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| To carry over | | 269 372 |

LOAN GUARANTY FUND - REMITTED CONTRIBUTIONS

BUSINESS YEAR 1965

| | | |
|--|---------|----------------|
| Brought over from 1964 | | |
| Co-op General Ins. Soc., Hyderabad | 130 | |
| Raiffeisendienst, Wiesbaden | 8 435 | |
| Les Assurances Populaires, Brussels | 1 105 | |
| Samvinnutryggingar, Reykjavik | 693 | |
| Samvirke, Oslo | 1 658 | |
| Kansa, Helsinki | 2 211 | |
| Nationwide, Columbus | 106 394 | |
| League Life Insurance, Detroit | 554 | |
| Wiener Städtische, Vienna | 9 268 | |
| C.I.S. Manchester, Manchester | 58 375 | |
| Pohja, Helsinki | 3 035 | |
| Koop. Pensionsanstalt, Stockholm | 1 237 | |
| La Sauvegarde, Paris | 553 | |
| Co-op Lebensversicherung Basle | 1 523 | |
| National Co-op Insur. Soc., Australia | 551 | |
| Alka, Copenhagen | 415 | |
| Co-operators, Insur. Association, Owen Sound | 2 351 | |
| Alte Volksfürsorge, Hamburg | 19 225 | |
| La Prévoyance Sociale, Brussels | 5 398 | |
| L'Assurance-Vie Desjardins, Levis | 2 769 | |
| The C.I.S. of Pakistan, Lahore | 277 | |
| The General Co-op. Ins. Soc., Hyderabad | 139 | |
| Folksam, Stockholm | 18 376 | |
| Hassneh, Tel-Aviv | 2 351 | |
| Eigenhilfe, Hamburg | 5 366 | |
| Samvirkende Danske, Copenhagen | 5 527 | |
| La Société d'Assurances des Caisses Popu- laires, Levis | 2 072 | |
| National Federation of Insur. Co-op., Tokyo | 276 | |
| De Centrale, The Hague | 2 350 | |
| Co-operative Insurance Services, Regina | 3 170 | |
| | | <u>265 784</u> |
| To carry over | | 535 156 |

LOAN GUARANTY FUND - REMITTED CONTRIBUTIONS
BUSINESS YEAR 1966

| | | |
|--|---------|---------|
| Brought over from 1965 | | |
| Samvirke, Oslo | 1 665 | |
| C.I.S., Manchester | 58 642 | |
| La Sauvegarde, Paris | 555 | |
| Coop-Leben, Basle | 1 550 | |
| Kansa, Helsinki | 2 224 | |
| Nationwide, Columbus | 106 903 | |
| League Life, Detroit | 554 | |
| Wiener Städtische, Vienna | 9 308 | |
| Folksam, Stockholm | 21 395 | |
| Alte Volksfürsorge, Hamburg | 19 311 | |
| Pohja, Helsinki | 3 056 | |
| Co-operators Insur. Association, Owen Sound | 2 361 | |
| La Société d'Assurances des Caisses Popu- laires, Levis | 2 083 | |
| Raiffeisendienst, Wiesbaden | 8 473 | |
| Hassneh, Tel-Aviv | 2 358 | |
| Co-op General Insur. Soc., Hyderabad . . . | 140 | |
| La Prévoyance Sociale, Brussels | 5 424 | |
| L'Assurance-Vie Desjardins, Levis | 2 773 | |
| Co-operative Insurance Services, Regina . . . | 3 204 | |
| Alka, Copenhagen | 415 | |
| Eigenhilfe, Hamburg | 5 399 | |
| Samvinnutryggingar, Reykjavik | 694 | |
| Samvirkende Danske, Copenhagen | 5 546 | |
| | | 264 033 |
| Balance as per 6 July 1966 . . | | 799 189 |

EXHIBIT 3

Resolution authorizing the adoption
of a proposal submitted and approved
by the Executive to organize *Allnations, Inc.*
for the purpose
of promoting co-operative insurance throughout the world

RESOLVED, that the plan submitted to this Committee for the organization and operation of *Allnations, Inc.*, as an international co-operative insurance development and management company be, and the same is, hereby approved and adopted, and

RESOLVED FURTHER, that the Executive be, and it hereby is, authorized and directed to proceed with the carrying out of the said plan and is hereby authorized to make such technical or legal changes in the plan (and accompanying documents here presented) as may be necessary or advisable to facilitate the organization and operation of *Allnations, Inc.*, for its intended purpose.

EXHIBIT 4

**Resolution for submission to the Insurance Committee
of the International Co-operative Alliance
at the Plenary Session to be held in September, 1966,
approving the transfer
of the Loan Guaranty Fund to *Allnations, Inc.***

WHEREAS, at the last Plenary Session of the Insurance Committee of the International Co-operative Alliance held in Bournemouth, England, in October, 1963, a resolution was adopted creating a Loan Guaranty Fund for the purpose of establishing a basis for the guaranteeing of loans to co-operatively oriented institutions in developing countries, the proceeds of which were to be used for the establishment and promotion of co-operative forms of insurance in those countries, and

WHEREAS, the said Loan Guaranty Fund was established pursuant to provisions of said resolution and the assets are now on deposit in Banque de la Société Générale de Belgique, and the Coop-Dépôts, Brussels, Belgium.

WHEREAS, the Executive, pursuant to a resolution adopted by the Insurance Committee at the said Bournemouth meeting, has recommended the organization of *Allnations, Inc.*, a corporation, one of the purposes of which is to carry out the function originally contemplated for the Loan Guaranty Fund, and

WHEREAS, the Insurance Committee has, in the meeting now in session, adopted the resolutions recommended by the Executive for the organization and operation of *Allnations, Inc.*, and

WHEREAS, since it is desirable that all funds to be used for the promotion of co-operative forms of insurance be administered by a single body under the corporate structure of *Allnations, Inc.*,

NOW THEREFORE, RESOLVED, that the Trustee of the Loan Guaranty Fund be, and he hereby is, authorized and directed, upon receipt of certification

from the Secretary of *Allnations, Inc.*, of the organization of said corporation, pursuant to the plan adopted at this meeting, and the election of the Board of Directors of same, to cause to be paid over or transferred to the Treasurer of said Corporation, in accordance with the instructions of the said Treasurer at the time of transfer, the entire assets of the said Loan Guaranty Fund and to render an accounting to *Allnations, Inc.*, for all receipts and disbursements from the said trust account, and

RESOLVED FURTHER, that contributions to the Loan Guaranty Fund shall continue to be made according to the assessment formula heretofore adopted by the members of the Insurance Committee checks and drafts for such contributions shall be made payable to *Allnations, Inc.*, and be in such currency, and mailed to such address as the Treasurer of said Corporation may from time to time direct.

EXHIBIT 5

Incorporation of *Allnations, Inc.*

As you already know, the Insurance Conference in Bournemouth in 1963 decided, after a joint proposal from the Executive Committee and the Research Committee, that a Loan Guaranty Fund should be established and that the member companies should contribute to that Fund in accordance with their premium income. During the last three years you have paid your contributions to that Fund and it has now, in the spring of 1966, reached £6 000 plus the interest.

The member companies will continue to pay their contributions to that Fund until it has reached the sum of £20 000 plus interest.

At the Conference in Bournemouth, Mr. Bowman Doss, *Nationwide*, presented the idea of establishing a company, which as a supplement to the Loan Guaranty Fund should enable the Executive to assist co-operative organizations to start co-operative insurance companies in countries where such companies do not exist. This question was referred to the Insurance Development Bureau (I.D.B.) for further investigation.

During the time that has passed since the last Conference the I.D.B. has carefully investigated the matter. The Bureau has held four meetings and there have also been three meetings with the Executive Committee, where representatives from the I.D.B. have been present. The Bureau's and the Executive's dealing with the matter is reported in Appendix I

From this appendix you can see that a lot of attention has been paid to the question of where such a company should be established; in the United States or in a European country. You will also find that from many points of view the only possible country is the United States.

Having thoroughly considered the matter of establishing such a company the Executive has unanimously decided to suggest to the Conference in Vienna that a company should be established as *Allnations, Inc.*, located in the city of Columbus, Ohio, U.S.A.

The plan works as follows. Assume that a co-operative organization in a country after thorough consideration by the I.D.B. has been found suitable as a borrower to start a co-operative insurance company. After the Executive, in its capacity as the Board of Directors, has decided to issue a loan, the co-operative organization in the country concerned receives

the necessary capital through a local bank with which the First National City Bank of New York has connections. Before this the New York bank has received an assurance from the *Allnations, Inc.* that it acts as applicant for the loan. As a guarantor for the loan then stands the *Allnations, Inc.* Behind the *Allnations, Inc.* stands, on one side, the United States Agency for International Development (A.I.D.), and on the other side the Loan Guaranty Fund.

The co-operative insurance companies domiciled in the United States will be paying more than 51% of the total investment in the *Allnations, Inc.* It is therefore highly advantageous that the shares of the company are so-called "admitted assets". In order to be admitted assets according to United States law the shares must be of a United States corporation and must have paid a dividend within the past year. Such a corporation is currently in existence in Ohio and will be used for the purpose of creating the *Allnations, Inc.*

The Executive has decided to suggest to the member companies that the *Allnations, Inc.* be set up with a share capital of \$300 000, of which \$100 000 should be paid up as soon as the company can be registered after the Conference in Vienna. The Board of *Allnations, Inc.* shall be empowered to call up the balance of \$200 000 share capital as and when required provided that not more than \$100 000 shall be called up in any one year including the first year.

All the legal papers concerning the *Allnations, Inc.* and the Loan Guaranty Fund have been worked out at the Nationwide in Columbus. Their legal adviser, Mr. Armor H. Hank, has co-operated with the legal experts in Folksam. Mr. Raymond X. Zweig, legal adviser of the League Life Insurance Company in Detroit, has also assisted to some extent.

If the Conference in Vienna decides in accordance with the Executive's proposal, the Executive will ask the member companies to submit to the share capital, which will be paid up, i.e. \$100 000, in proportion to each company's premium income for the year 1965. Since at least 51% of the capital must be in the hands of United States member companies, it is 49% or \$49 000 which will be shared between the other member companies. Your company's proportion of this share capital will be as set out in the attached Table.

It should be kept in mind that *Allnations, Inc.*, is being organized in the United States because of technical and legal reasons. *Allnations, Inc.* will act as a convenient legal vehicle to perform certain specified acts. The expectation would be that most problems and projects would continue to be channelled by the Executive into its existing arms, i.e. Reinsurance Bureau and Insurance Development Bureau.

Table showing the proposed Distribution of US \$100 000
of the Share Capital in *Allnations, Inc.*

| Country | Company or Group of Companies | Premiums Written 1964 | | Exact part of share cap. in Allnations provided the US CO:s keep 51% | | Nr. of shares at US \$100 min. one share/CO |
|--------------------|--|-----------------------------|--------|--|---------|---|
| | | £ Sterling | % | % | US \$ | |
| <i>U.S.A.</i> | Nationwide Mutual Service League Life | 149 264 456 | 37.82 | 51.000 | 51 000 | 510 |
| <i>Australia</i> | National C.I.S. | 311 024 | 0.08 | 0.063 | 63 | 1 |
| <i>Austria</i> | Wiener Städtische | 13 985 590 | 3.55 | 2.798 | 2 798 | 28 |
| <i>Belgium</i> | La Prévoyance | 7 248 183 | 1.85 | 1.458 | 1 458 | 15 |
| | Les Ass. Populaires | 2 078 771 | 0.53 | 0.418 | 418 | 4 |
| <i>Canada</i> | L'Assurance-Vie Desjardins | 4 744 810 | 1.20 | 0.946 | 946 | 9 |
| | La Société d'Assurance des Caisses Populaires | 3 511 157 | 0.89 | 0.701 | 701 | 7 |
| | Co-op. Fire-Co-op. Life | 5 538 011 | 1.40 | 1.103 | 1 103 | 11 |
| | Co-op. Ins. Ass. | 3 981 082 | 1.01 | 0.797 | 797 | 8 |
| | Co-operators Life Ins. Ass. | 198 158 | 0.05 | 0.039 | 39 | 1 |
| <i>Denmark</i> | Alka | 701 617 | 0.18 | 0.142 | 142 | 1 |
| | Andels-Pensionfor. Faellesvirke- Mejeriernes | 682 817 | 0.17 | 0.134 | 134 | 1 |
| | Nerva-Andelsanst. Tryg | 7 478 326 | 1.90 | 1.497 | 1 497 | 15 |
| | Kansa | 1 436 071 | 0.36 | 0.284 | 284 | 3 |
| <i>Finland</i> | Pohja | 3 764 199 | 0.95 | 0.749 | 749 | 7 |
| | La Sauvegarde | 6 152 034 | 1.56 | 1.229 | 1 229 | 12 |
| <i>France</i> | Eigenhilfe | 1 281 922 | 0.32 | 0.252 | 252 | 2 |
| <i>Germany</i> | Raiffeisen | 6 818 470 | 1.58 | 1.245 | 1 245 | 12 |
| | Alte Volksfürsorge | 13 556 626 | 3.44 | 2.711 | 2 711 | 27 |
| <i>Gr. Britain</i> | C.I.S. | 30 848 840 | 7.83 | 6.170 | 6 170 | 62 |
| <i>Holland</i> | De Centrale | 73 796 868 | 18.72 | 14.751 | 14 751 | 147 |
| | Vemaco | 3 189 393 | 0.82 | 0.647 | 647 | 6 |
| <i>Iceland</i> | Samvinn-Andvaka | 35 273 | 0.01 | 0.008 | 8 | 1 |
| <i>India</i> | Union Co-op. | 1 309 745 | 0.33 | 0.260 | 260 | 2 |
| | Co-op. General | 473 252 | 0.12 | 0.095 | 95 | 1 |
| <i>Israel</i> | Hassneh | 117 312 | 0.03 | 0.024 | 24 | 1 |
| <i>Japan</i> | National Fed. Ins. Co-op. | 3 069 579 | 0.78 | 0.615 | 615 | 6 |
| <i>Malaysia</i> | Malaysian C.I.S. | 9 439 491 | 2.40 | 1.891 | 1 891 | 19 |
| <i>Norway</i> | Samvirke | 346 740 | 0.09 | 0.071 | 71 | 1 |
| <i>Pakistan</i> | C.I.S. of Pakistan | 2 867 498 | 0.73 | 0.575 | 575 | 6 |
| <i>Puerto Rico</i> | Co-op. de Seguros de Vida | 256 984 | 0.06 | 0.047 | 47 | 1 |
| <i>Sweden</i> | Folksam | 237 759 | 0.06 | 0.047 | 47 | 1 |
| | Koop. Pensionsanst. | 30 356 763 | 7.71 | 6.075 | 6 075 | 61 |
| <i>Switzerland</i> | Co-op. Lebensvers. | 3 591 295 | 0.92 | 0.725 | 725 | 7 |
| | | 2 168 206 | 0.55 | 0.433 | 433 | 4 |
| | | 3 948 838 286 | 100.00 | 100.000 | 100 000 | 1 000 |

APPENDIX I

A presentation of the Background of the Loan Guaranty Fund and the *Allnations, Inc.*

THE MEETINGS OF THE INSURANCE COMMITTEE IN 1957, 1959 AND 1960

The Loan Guaranty Fund and the *Allnations, Inc.*'s proposals are recent examples of the progress which has been made by the Insurance Committee since it was founded in 1922 by Mr. Joseph Lemaire, of *La Prévoyance Sociale*. These developments are the result of activities launched by the Programme Committee, which was appointed at the conference of the Insurance Committee in Stockholm in 1957. Members of the Programme Committee were Mr. Robert Dinnage, Chairman, Mr. Henri Lemaire, Secretary, and Mr. Bowman Doss.

At the conference of the Insurance Committee at Lausanne in 1960, the Programme Committee recommended the appointment of a Research Subcommittee, to study the questions of organizing co-operative insurance societies in newly developing countries, of opportunities for joint investments, and of organizing an exchange programme for staff members.

This recommendation was approved first by the Executive and later by the full conference.

In this connection, Mr. Seved Apelqvist had also presented papers on the subject of developing countries and co-operative insurance at the special conference of the Insurance Committee held in New York in 1959 at the invitation of Mr. Murray D. Lincoln, and at the Lausanne Conference in 1960.

THE DECISION TO SET UP A LOAN GUARANTY FUND

At the conference of the Insurance Committee in Bournemouth in 1963 a Loan Guaranty Fund was decided to be set up which would assure the repayment of loans made to promote co-operative insurance development in the newer countries.

At the conference Mr. Bowman Doss, *Nationwide*, presented an idea of setting up an international holding company as a complement to the Loan Guaranty Fund.

The reasons for setting up a holding company beside the Loan Guaranty Fund were that the contributions to the Fund would not be sufficient for its purpose, and that it was easier, legally, for the member companies to supplement their contributions to the Loan Guaranty Fund by investing in shares of a holding company.

THE INVESTIGATIONS CONCERNING THE IDEA OF A HOLDING COMPANY

Immediately after the conference the Executive appointed the Insurance Development Bureau (the I.D.B.) and the matter of an international holding company was referred to that new Bureau.

The I.D.B. has held four meetings, the first one in Vienna in March 1964, the second in Stockholm in June 1964, the third in Fort Lauderdale, Florida, U.S.A., in March 1965, and the fourth in Tel-Aviv in March 1966. Members of the I.D.B. have also been present at the Executive's meetings in Belgrade in September 1964, in Regina, Sask., Canada, in June 1965, and in Brussels in April 1966.

Between the meetings the matter of the holding company and a co-ordination of the holding company and the Loan Guaranty Fund has been carefully investigated by the legal experts in *Nationwide* with some assistance from the legal experts in *League Life* and *Folksam*.

When the Insurance Conference in Bournemouth decided to set up a Loan Guaranty Fund it was quite clear to everyone that the Fund would not be sufficient if the member companies of the Insurance Committee wished to participate in the establishment of co-operative insurance societies mainly in developing countries.

As a principle the required capital must be raised within the country concerned. However, there might be some countries where assistance from international sources can be of importance when the matter of setting up an insurance company is considered.

According to the decision made in Bournemouth the contribution of the member companies to the Loan Guaranty Fund is £2 000 per year until the Fund has reached the amount of £20 000. Thereafter the Fund will increase with the interest only unless the members of the Insurance Committee agree to increase their contributions or continue payment for a longer period. This will depend upon the way in which the scheme develops.

To-day the Fund has £6 000, and it will take another seven years before there is £20 000 plus the interest in the Fund.

The Loan Guaranty Fund was never intended to be a lender of money but simply an arrangement whereby the credit risk required for such loans may be shared equitably by all members of the Insurance Committee. It is in fact an insurance fund to cover any losses which may arise and are not covered by the A.I.D. or bank guarantees. We do not know what losses if any will occur and hope that the proportion will be small.

When the I.D.B. started to investigate the whole matter, the Bureau

considered the possibilities of setting up a holding company with a share capital of such proportions that the company itself should be able to be a lender of capital

Very soon the I.D.B. came to the conclusion that it was realistic to presume that the member companies would be able to find possibilities to participate to a necessary extent in such a company. There are both legal and other difficulties which create obstacles for such a project. The I.D.B. also found that it was necessary to co-operate with a commercial bank with extensive international connections.

The I.D.B. also considered the matter of how to get guaranties against expropriation and foreign exchange inconvertibility. These must be considered as big risks since the loans presumably will be given to co-operative organizations in comparatively recently independent countries.

THE MEETING IN BELGRADE IN 1964

After having considered all these matters, the I.D.B. presented a plan to the Executive at its meeting in Belgrade in 1964. The share capital of the company should be \$750 000, paid up in three years by the member companies. The company should serve as an applicant for loans guaranteed by the First National City Bank of New York and given by a local bank in the country concerned. With such a construction it was no longer a Holding Company. Hereafter it is therefore simply named the company or the *Allnations, Inc.*

In the proposal there was also included a guaranty against expropriation of assets and inconvertibility of foreign currency. This guaranty was given by the United States Agency for International Development (A.I.D.), and for that guaranty the A.I.D. would charge the company an annual fee of 1% (one per cent) of the outstanding loans.

The Executive Committee carefully considered the I.D.B.'s proposals regarding the Loan Guaranty Fund and the company, but was not ready to make a final decision at its meeting in Belgrade. Among other things the members of the Executive felt that they should be better informed as to the advantages and disadvantages of establishing the company in Europe at one of the main financial centres as against the proposal for a U.S. company.

It was further suggested that the I.D.B. should consider whether the scheme could operate if there were two companies—one in the U.S. and one in Europe.

At the same time the Executive asked the I.D.B. to consider whether it would be possible to simplify the proposed procedure of guaranteeing loans.

Further, the Executive asked the I.D.B. to reconsider the matter of the amount of the share capital of the proposed company. Past experience—said the Executive—does not indicate that there is any great demand for loans and to some members of the Executive Committee there seems to be no purpose in building up funds before the need arises.

INQUIRIES WITH THE MEMBER COMPANIES IN EUROPE

Thus, since the Executive has asked for an investigation of the possibilities of establishing the planned company in Europe, an inquiry was made with the member companies in Austria, Belgium, Great Britain, Sweden, Switzerland and West Germany, in a letter of the 14th December 1964. This more detailed inquiry was a follow-up of an earlier screening inquiry sent also to several other member companies. The following questions were posed in the detailed inquiry.

1. Is there any bank in your country which, as the American bank mentioned in the memorandum, is prepared to grant credit guaranties which can be put at the disposal of international co-operative insurance in the developing countries?
2. In such a case, would the bank guarantee the loan in local currency—or would the guaranty have to be made in hard currency at the exchange rate applicable as of the date of the loan?
3. Is it possible for foreigners to own shares in a holding company like the one described by the I.D.B.? In such a case, do foreigners have the right to own a majority of the shares or are they subject to statutory limitations?
4. Is it possible for the holding company in question to conduct its annual general meeting and board meetings outside the home country?
5. Can foreigners be included as Members of the Board of the holding company and Members of the Board of the Loan Guaranty Fund and, in such case, are there any statutory limitations?
6. If the holding company or loan guaranty fund can be located in your country, are there any special taxes or fees which would apply to subscription for shares in the company or the gifts to the fund? Moreover, would charges be levied if foreign interests desire to remove investments from the home country?
7. How are the profits of the company taxed, and is there any possibility of transferring part of the profits to foreign interests?
8. In some of the member companies' countries the law requires that a company must report a book profit for the last five years before an insurance company is permitted to invest in that company. Is there any company which meets this requirements in your country which can be acquired?

After replies had been received from all the member societies it was possible to conclude that there are very limited possibilities to set up the company in any of the countries mentioned.

The member companies had already at an early inquiry reported that in their respective countries there was no possibility for a company to obtain the guaranty against expropriation or foreign exchange inconvertibility that can be obtained through the A.I.D. (The Swiss Government offers a similar insurance cover for export credits granted in connection with the assistance to developing countries; a similar protection for loans granted in connection with the assistance to developing countries is under examination but not yet available at the time being.)

At the Belgrade meeting the Executive considered the possibility of abstaining from such a guaranty. But the largest member, the *Nationwide* group, who would take about 37% of the share capital of a company in accordance with the suggested formula, does not consider that it can abstain from the protection offered by the A.I.D. Since this protection is not available to a company which is registered in a European country, such a company will likely have to be organized without the participation of the *Nationwide* and possibly also the other American members of the Insurance Committee. If the company would be managed from the United States and there would be need of employees, there are some possibilities of getting financial assistance for that purpose through the A.I.D., should the Executive be interested in such an offer.

On the first question, whether in the suggested country there was a bank which like the First National City Bank of New York could give the planned credit guaranties, *La Prévoyance Sociale*, *Wiener Städtische* and the C.I.S. answered no. The *Coop-Leben* reported that there seems not to be any bank in Switzerland offering the same scheme as is available with the First National City Bank of New York. However, if an existing Swiss body of sufficient background would ask for similar facilities, some of the leading Swiss banks would probably be prepared to examine each individual request on its own merits.

In West Germany it would seem possible to find a bank that could give credit guaranties but the bank would not be able to guarantee loans in local currencies. Neither would it be possible to hold the annual meeting outside Germany. Negative replies to certain other questions also made West Germany seem unsuitable as the country in which to set up the company.

There thus remained Sweden, where certain other provisions gave rise to doubts about the suitability of establishing an international company there, viz.

- a) The company cannot in principle hold its annual meetings outside Sweden.
- b) Not more than 1/3 of the members of the Board may be foreigners.

After having discussed the situation on the basis of the replies that were received to the inquiry made with the six member companies in Europe, the I.D.B. did not find itself in the position to recommend that the Executive seek to establish an international company in Europe. As a consequence the I.D.B. could not recommend two companies, one in Europe and one in the United States.

The Executive also requested in Belgrade that the I.D.B. investigate the possibility of simplifying the proposal that had been put forward. An alternative proposal has therefore been worked out in collaboration with one of the largest commercial banks in Sweden. Briefly, this alternative would mean that instead of forming a company with a large share capital which is deposited with the bank as security, an incorporated company would be formed with a small share capital. All, or certain of the shareholders would then leave guaranty reserves (promissory notes) with the company. The company in turn would hand these over to the bank as security for loan guaranties that have been issued. The advantage of this alternative is that it is not necessary to tie up large capital assets at the bank.

Certain documents have been drawn up in connection with this proposal, namely:

- A consortium agreement between members
- A guaranty issued by the foundation
- An allocation plan
- Articles for the foundation

This proposal was thoroughly discussed at the meeting of the I.D.B. in Fort Lauderdale, Florida. It was found, however, that most member companies represented in the I.D.B. lack formal possibilities to enter into such obligations as the issuing of promissory notes would imply.

The I.D.B. therefore found that it would serve no purpose to present the above mentioned documents in more detail to the Executive and to the full conference, as this alternative was deemed to be impractical.

At the Executive Meeting in Belgrade the Loan Guaranty Fund was presented as a certain legal body, a non-profit corporation or a trust, of which the member companies should be participants.

Mr. Armor H. Hank, Columbus, Ohio, who acts as legal adviser in this matter, was commissioned by the Bureau to try to simplify the plan for the company linked with the Loan Guaranty Fund. He found a solution implying that the Loan Guaranty Fund need not be a separate corporation. The Loan Guaranty Fund can remain in a bank in Brussels whilst the ownership of the Fund would be transferred to the company.

THE PROPOSAL OF THE I.D.B. TO THE EXECUTIVE IN REGINA IN 1965

After having considered all these matters the I.D.B. proposed that the Executive approve the plan for the establishment of an international company registered in Columbus, Ohio, U.S.A., and name the company Allnations, Inc.

The I.D.B. thus submitted a plan which eliminated the corporation that was originally set up to control the Loan Guaranty Fund, and incorporated the Loan Guaranty Fund into the *Allnations, Inc.*

In most respects, this plan was superior to the one originally submitted. The shares of the *Allnations, Inc.*, which should be domiciled in the State of Ohio, can be held by anyone, and there is no necessity that any particular portion of them be held by United States citizens. However, if the corporation wants to have guaranties from the A.I.D. against expropriation and inconvertibility, a majority of the shares must be held by U.S. citizens, which means that the U.S. co-operative insurance companies must have at least 51% of the shares. The rest of the shares of the *Allnations, Inc.* should be sold to the other member companies of the Insurance Committee of the I.C.A. The member companies should, directly or through their proxy, elect the Executive of the Insurance Committee as the Board of Directors.

The Board of Directors manages and controls the property and business of the *Allnations, Inc.* The Board of Directors elects their own officers, who are responsible for carrying out the programme established by the Board.

It was proposed that shares of the corporation be sold in such denominations as the Board of Directors may determine so as to provide for a capital investment of \$100 000 in 1967. This amount would be increased to \$300 000 after decision by the Board of Directors.

There is no requirement that the fund of the *Allnations, Inc.* be deposited in United States banks. Presumably some portion will remain on deposit in the United States; however, there is nothing to prevent corporate funds from being deposited in any other country which the Board of Directors may approve. It is presumed that the Loan Guaranty Fund would remain on deposit in the Brussels bank, but that the ownership of the Fund would be transferred to the *Allnations, Inc.*

THE DECISION OF THE EXECUTIVE

The Executive decided to accept the proposals from the I.D.B. with some corrections regarding the share capital. The Executive thus decided to suggest to the member companies that the Allnations, Inc. be set up with a share capital of \$300 000, of which \$100 000 should be paid up as soon as the Company can be registered after the Conference in Vienna. The Board of Directors of the Allnations, Inc.—i.e. the members of the Executive—should be empowered to call up the balance of \$200 000 share capital as and when required provided that not more than \$100 000 should be called up in any one year including the first year:

A loan for starting one and the same company should as a rule only be given for a maximum of \$100 000. Instalment terms and rates of interest will have to be decided from case to case. It may be both reasonable and appropriate that the borrower is relieved of instalments during the first and perhaps also the second year.

As a rule one should aim at a maximum period of repayment of 10 years.

During the first years, only one new loan per year of the above mentioned size can be given.

A loan to a co-operative or other organization taking the responsibility for establishing a co-operative insurance society may only amount to 49% of the necessary capital. One thereby gains the advantage that the main economical responsibility will remain with the national organization.

The borrowing organization or—where several organizations collaborate—the borrowing organizations should have an own capital amounting to at least twice the size of the loan that is taken up to start a co-operative insurance company. One hereby gains a certain guaranty that the borrowing organization has such economic strength it may reasonably be assumed to be able to qualify as a borrower.

HOW THE SYSTEM OF GUARANTEEING LOANS OPERATES

Collaboration in matters of issuing loans should be established with the First National City Bank of New York.

The First National City Bank stands as a guarantor to a local bank in the country of the borrower. The Loan Guaranty Fund is not sufficient to enable the bank to stand as guarantor. Especially during the first years it is necessary with a real, and later at least with a formal, guaranty of much larger dimensions than the Loan Guaranty Fund will be able to give. This function will be fulfilled by the *Allnations, Inc.*

The plan works as follows. Assume that a co-operative organization in a country after thorough consideration by the I.D.B. has been found suitable as a borrower to start a co-operative insurance company. After the Executive, in its capacity as the Board of Directors, has approved a loan, the co-operative organization in the country concerned receives the necessary capital through a local bank with which the First National City Bank of New York has connections. Before this the New York bank has received an assurance from the *Allnations, Inc.* that it acts as applicant for the loan in the country. As a guarantor for the loan then stands the *Allnations, Inc.* Behind the *Allnations, Inc.* stands, on one side, the United States Agency for International Development (A.I.D.), and on the other side the Loan Guaranty Fund.

MEMBER COMPANIES OF THE
INSURANCE COMMITTEE OF THE I.C.A.

Own ALLNATIONS, INC.
Elect the Board of Directors who will be
The Executive of the Insurance Committee



ALLNATIONS, INC.
Total Assets over Three-Year Period
Capital and Surplus (proposed) \$300 000
Loan Guaranty Fund (estimated) 30 000

A.I.D.
Guaranties

(Security)



(Clean Sight Credit Guaranties)



First National
City Bank
of New York

(Credit Guaranty)



Local Bank

(Loan)



Local
Co-operative

(Capital Investment)



Co-operative
Insurer

EXHIBIT 6

Report on the work of the Insurance Development Bureau 1963-1966

The Insurance Development Bureau (I.D.B.) was appointed immediately after the conference of the Insurance Committee in Bournemouth in 1963 and was given the following assignments:

- I. Assistance in developing co-operative insurance in newly developing countries.
- II. Responsibility to promote the exchange of personnel among the member companies and the supply of technical help when needed.
- III. Advising the Executive on the procedure required to establish and administer the Loan Guaranty Fund and considering the proposal for an international holding and management company.

The I.D.B. has been comprised of eight members:

Mr. K. Back, chairman and secretary, Sweden;

Mr. O. Binder, Austria;

Mr. H. Hébert, Canada;

Mr. B. Kalms, Germany;

Mr. N. A. Kularajah, Malaysia;

Mr. R. Lemaire, Belgium;

Mr. R. A. Rennie, U.S.A.;

Mr. F. F. Rondeau, U.S.A.

Mr. K. Lindberg, Sweden, was appointed assistant secretary of the Bureau.

In 1964 Mr. N. A. Kularajah was appointed member of the Executive. His successor in the Bureau was Mr. M. Nussbaum, Israel.

In 1965 Mr. Rondeau resigned and Mr. R. E. Vanderbeek, U.S.A., was appointed new member of the Bureau.

Mr. R. Lemaire, chairman of the Reinsurance Bureau since summer 1966 has, ex officio, acted as co-ordinator between the bureaux.

The I.D.B. has held four meetings, the first one in Vienna in March 1964, the second in Stockholm in June 1964, the third in Fort Lauderdale, Florida,

U.S.A., in March 1965, and the fourth in Tel-Aviv in March 1966. Members of the I.D.B. have also been present at the Executive's meetings in Belgrade in September 1964, in Regina, Sask., Canada, in June 1965, and in Brussels in April 1966.

The basis for the work of the Bureau has been the proposals put forth by the Research Subcommittee. These proposals were presented as a Joint Report by the Research Committee and the Executive at the conference in Bournemouth where it was unanimously accepted.

I. ASSISTANCE IN DEVELOPING CO-OPERATIVE INSURANCE IN NEWLY DEVELOPING COUNTRIES

1. BROCHURE ON CO-OPERATIVE INSURANCE

According to the Research report, one of the assignments of the Insurance Development Bureau was to prepare a brochure explaining what co-operative insurance is.

The aim of the brochure would be to promote the idea of co-operative insurance among co-operators, representatives of trade unions, officials and governmental co-operative departments, and political leaders in chiefly newly developing countries.

Readers of the brochure should be stimulated to get in touch with the Bureau for further information.

The I.D.B. has worked out and printed such a brochure in 20 000 copies in English and 5 000 copies in French and Spanish.

One copy of the brochure has been sent to various persons, organizations, schools and institutions with co-operative or trade union associations with inquiries about the number of copies that were needed. In April 1966, a total of 11 000 copies had been distributed.

2. MATERIALS TO FOLLOW UP THE DISTRIBUTION OF THE BROCHURE ON CO-OPERATIVE INSURANCE

In answering the inquiries made on account of the brochure or otherwise the Bureau needed some other material to distribute. Thus follow-up material after the distribution of the brochure has been prepared.

a) *A questionnaire on the needs and possibilities of co-operative insurance in a country*

In close collaboration with the Reinsurance Bureau, the I.D.B. has worked out and printed a questionnaire to determine the needs and possibilities of co-operative insurance in various countries. The questionnaire is printed in English and has been distributed as a response to requests from various countries.

In conformity with the decision related to the Research Report, the Bureau has also prepared the following descriptions to be mailed out in response to specific inquiries for information:

b) *Cattle Insurance*

c) *Group Insurance*

These descriptions are printed and have been distributed upon request.

The Bureau has also made some attempts to work out descriptions of *the Parliamentary System of Co-operative Insurance Companies* and of *Crop Insurance*. However, it proved much too difficult to arrive at descriptions which do not give rise to misunderstandings and they have thus been used only when special requests for information have been made.

As enclosures to the circular letters of the Bureau descriptions of insurance problems in certain countries also have been distributed. (See below.)

3. EDUCATION IN CO-OPERATIVE INSURANCE

In order to stimulate the interest for co-operative insurance activity in the developing countries, the Research Report called for an educational programme and for study material informing of insurance on co-operative basis.

The following work has been done by the I.D.B. in this area.

a) *A programme of education: courses in insurance for co-operators and other representatives of developing countries*

The Bureau has worked out and distributed to the members a memorandum on the various types of courses that are recommended.

b) *Educational material for prospective teachers at insurance courses*

This is some educational material in English to be used by lecturers at courses in co-operative insurance.

c) *A survey of the supply of prospective teachers at insurance seminars*

The I.D.B. has compiled a list of officers of member companies who could speak at schools or institutes where potential labour and co-operative leaders from new countries receive training.

d) *A co-operative insurance seminar at the Afro-Asian Institute for Labour Studies and Co-operation, Tel-Aviv, Israel.*

In March 1966 the I.D.B. arranged a two days seminar on co-operative insurance at the Afro-Asian Institute in Tel-Aviv, Israel. Members of the I.D.B. and the Reinsurance Bureau acted as lecturers at the course.

All lecturers at this seminar had prepared some written material concerning various subjects in the insurance field. This material can be used as information material in the future.

4. NEEDS AND POSSIBILITIES FOR CO-OPERATIVE INSURANCE IN VARIOUS COUNTRIES

Together with the Reinsurance Bureau the I.D.B. has surveyed the possibilities for co-operative insurance in various countries. In some cases rather advanced plans have been worked out.

This activity has taken place through correspondence and in some cases through visits. In some cases extensive reports have been worked out. A report on Greece has been presented to the Executive. After the I.D.B. had made a survey of the situation in Greece together with Greek co-operators, the Reinsurance Bureau also held a meeting in Greece to help stimulate the starting of a Greek co-operative insurance company. However, due to political events in Greece the matter has been postponed. Special attention has also been devoted to the Philippines, Mexico and Peru. The development within these countries is followed closely by the Bureau.

The Bureau has also been in contact with other countries like Argentine, Sierra Leone, South Korea, British Guiana, Barbados.

The I.D.B. has furthermore been in contact with the I.C.A. Regional office which has proposed that a survey should be made of the prospects for extending co-operative insurance in South East Asia. For the time being the matter has been shelved.

II. EXCHANGE OF PERSONNEL

a) MEMORANDUM ON EXCHANGE OF PERSONNEL

A memorandum on exchange of personnel between member companies has been worked out by the I.D.B. It has been distributed to member companies to inform them about its objectives.

b) THE COURSE "MEET THE C.I.S. OF MANCHESTER"

In the memorandum on exchange of personnel there is a proposal about courses of intermediate length. Such a course was arranged by the Bureau in May 1965 with the C.I.S. of Manchester as host company. The programme with an invitation to the course was sent out to all member companies. The course was attended by 19 participants from abroad representing 12 companies in Europe and North America.

c) SURVEY CONCERNING "LONG TERM TRAINING VISITS"

One part of the exchange programme is the promotion of long term training visits between well established companies. The purpose of this type of exchange is to enable an employee from a well established company to actually work in another company for a period of six months to one year. To assess the desires in connection with this type of exchange programme the I.D.B. has made a survey among the companies. Information on the results of the survey has been distributed by the Bureau to the member companies, enabling them to contact each other in this matter.

d) SURVEY CONCERNING "SCHOOLS, COURSES AND STAFF MEETINGS"

Another part of the exchange programme is the promotion of the exchange of personnel in connection with seminars, courses and meetings arranged by member companies in the course of their educational programme,

which could be of interest to other companies. Through a questionnaire the I.D.B. has collected information about planned courses that may be of interest to other companies. A list of such courses has been compiled and distributed to the member companies, enabling them to contact companies planning courses of interest.

c) PROMOTION OF EXCHANGE OF EXPERIENCE BETWEEN VARIOUS SPECIALISTS OF MEMBER COMPANIES

A conference for loss prevention and rehabilitation officers was planned to take place in Stockholm in 1964. Due to the small number of applicants the conference was inhibited.

A memorandum on a conference for education and training specialists has been worked out by the Bureau. This matter has been shelved for the time being.

III. THE LOAN GUARANTY FUND AND ALLNATIONS, INC.

The matter of the Loan Guaranty Fund and the holding company has been carefully investigated by the I.D.B. since the conference in Bournemouth. The Bureau's dealing with the matter is reported in the proposal from the Executive concerning the Loan Guaranty Fund and *Allnations, Inc.*

IV. MISCELLANEOUS

Other activities of the Bureau comprise the following.

a) CIRCULAR LETTERS OF THE BUREAU

The Bureau has distributed informative letters to the member companies. The aim of this activity is to increase the exchange of ideas and personnel. A special bulletin is now sent out by the Bureau whenever information of interest to the member companies has been received. Three such newsletters have been sent out by the Bureau to further the exchange of information between member companies.

b) RELATIONSHIP BETWEEN THE REINSURANCE BUREAU AND THE I.D.B.

At the Executive's request the I.D.B. in collaboration with the chairman and the vice chairman of the Reinsurance Bureau drafted certain directives to govern their relationship which were approved by the Executive.

c) VISITS RECEIVED BY THE BUREAU

The secretariat of the Bureau as well as most of the member companies have received visitors from several countries.

d) VISITS MADE BY THE BUREAU

Beside the places where the meetings of the Bureau has been held, members of the Bureau have visited Greece in 1964 and 1966 and Mexico in 1965.

e) INFORMATION ABOUT THE INSURANCE COMMITTEE
IN THE PERIODICAL NEWSLETTER OF THE I.C.A.

Articles about the activities of the Insurance Committee and its two bureaux have been published in the series Studies and reports of the I.C.A.

Stockholm in April, 1966.

THE INSURANCE DEVELOPMENT BUREAU

K. BACK, Chairman and Secretary;
O. BINDER;
H. HÉBERT;
B. KALMS;
R. LEMAIRE;
M. NUSSBAUM;
R. A. RENNIE;
R. E. VANDERBEEK.
K. LINDBERG, Assistant Secretary.

*4. CHAIRMANSHIP AND SECRETARIAT
OF THE INTERNATIONAL CO-OPERATIVE
REINSURANCE BUREAU*

Mr. John NUTTALL, who retired on the 1st. of June 1966 at age 65 from his function of Deputy General Manager of the C.I.S.-Great-Britain, resigned his function of Chairman and Secretary of the I.C.R.B.

The Executive Committee appointed Mr. Raymond LEMAIRE as Chairman, and Mr. Harry KNIGHTON as Secretary of the I.C.R.B., the Secretariat remaining at the Chief Office of the C.I.S.-Manchester.

EXHIBIT 8

**REINSURANCE BUREAU OF THE I.C.A.
ANNUAL PREMIUMS**

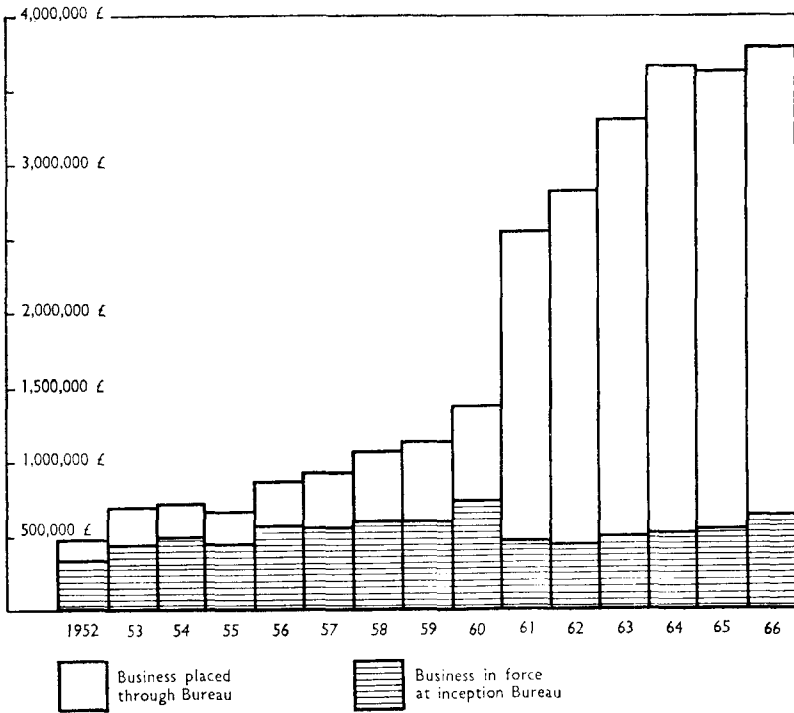


EXHIBIT 11

FALL OF PURCHASING-POWER
(in 20 years)

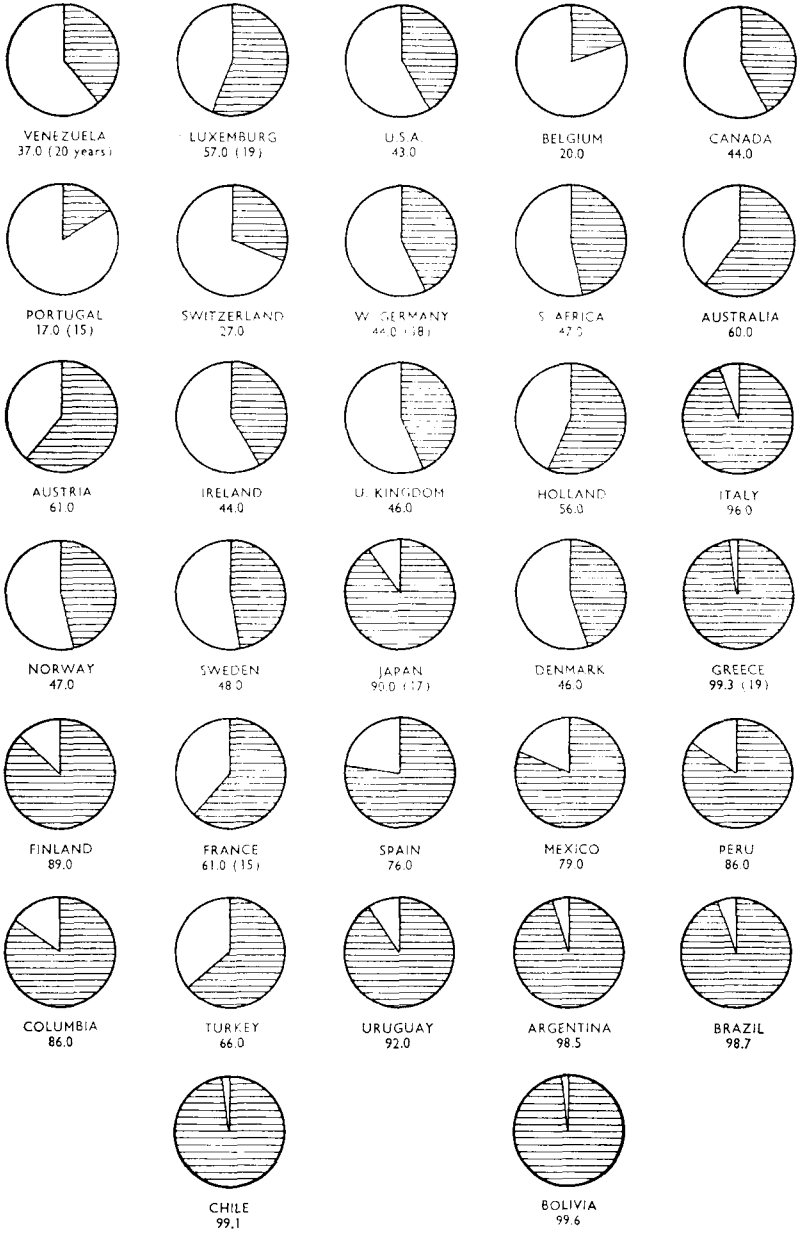


EXHIBIT 12**International Co-operative Reinsurance Bureau**

Repartition of: Population,
World income, Amount of insurance premium, Membership of I.C.A.

| | % of world population | % of world income | % of world premium income | I.C.A. membership |
|--|--------------------------|----------------------|------------------------------|----------------------|
| Western Europe | 8.7 | 21.8 | 22.7 | 20.1 |
| U.S.A. + Canada | 6.7 | 37.5 | 64.4 | 13.6 |
| South America | 7.3 | 3.5 | 1 | 0.5 |
| Asia (communist countries excepted) | 27 | 8.1 | 3.0 | 29.6 |
| Africa | 8 | 2.2 | 0.7 | 0.5 |
| Eastern Europe (U.S.S.R. excepted) | 3.8 | 4.5 | 1.1 | 10.4 |
| U.S.S.R. | 7.2 | 14.3 | 4.3 | 24.6 |

organizations in advanced countries have been willing and prepared to render all possible assistance in offering facilities to the co-operative insurance societies in less developed countries. Our Society depended on Mr. A. Duval, the Actuary of the *C.I.S. Manchester*, who has been our consulting actuary since inception. For example we have only four actuaries in Malaysia and if we did not get the assistance from the *C.I.S. Manchester* we could not have even commenced business. It is true that the I.C.A. Insurance Committee through the Development Bureau and Reinsurance Bureau is doing a wonderful job in assisting the newly-created and existing co-operative insurance societies in making the training and other facilities available to them. If the staff recruited for work in a co-operative insurance society does not have the necessary technical skill and knowledge, no progress can possibly be achieved. If those with the necessary skill, experience and knowledge are recruited they may also find it difficult with the Board of Directors, who have little or no knowledge of insurance business being representatives of the co-operatives that invested capital in the insurance society. A successful and able employee will not get his terms and conditions revised in the same manner as in a private insurance company. Some of the directors may have less income than he has. Some of the directors may not be bothered at all with the progress. Some of the directors may have personal prejudices against him. Most of them may not appreciate his value until it is too late. After all a co-operative employee cannot be expected to sacrifice too much just because he is a dedicated co-operator. This problem can be solved as we did in Malaysia.

4. *Lack of Insurance Consciousness*: As the standard of literacy in developing countries is not high, an intensive educational programme will have to be launched so that the ordinary man understands the value of co-operative insurance. The insurance societies in the developing countries therefore have to face the problem of creating insurance consciousness among the people. The people do not realise the importance of insurance particularly life insurance. They look upon insurance with suspicion, as something which is out to swindle them of their hard earned money. It requires a great deal of persuasion to make the person to agree to take a life assurance policy. The people therefore have to be educated in insurance and in their insurance needs.

5. *Lack of Close Link between the Co-operative Insurance Society and other sectors of the Co-operative Movement*: The creation of a close association between a co-operative insurance society and the other sectors of the co-operative movement is absolutely necessary for the progress of co-operative insurance. No development of insurance business is possible without close collaboration between the co-operative insurance societies and the co-operative movement of the country. The insurance society will also not be able successfully to meet the challenge from other capital-owned insurance organizations if it does not receive full support from the co-operative movement of the country.

6. *Lack of Exchange of Information*: This is a problem which cannot easily be overcome as an insurance co-operative society may like to keep all its schemes of insurance and other information only to itself. I feel in order

to obtain better results there should be not only in the same region but also in the other regions on matters of policy and procedure. If information is exchanged, it will lead to improvement of relationship and understanding between the co-operative insurance societies for mutual benefit. No organization between co-operative insurance societies in the developing countries and the insurance co-operatives in very highly developed and industrialised countries exists. There is therefore no co-ordination of activities among the insurance co-operative societies. Specialised courses in agency management and society management should often be held jointly for the mutual benefit of the co-operative insurance societies

7. *Higher Commission Rates:* Higher commission rates allowed by private insurance organizations often lead to the harmful practice of "rebat ing" to obtain business. If a newly formed co-operative insurance society offers comparatively low rates of commission, it might have to face difficulty in obtaining sufficient business for its existence. It has therefore either to raise its commission rates to the level allowed by other insurance companies in the area or face the prospect of considerably losing the business to the other companies. High commission rates, as I calculate, are a considerable handicap to the growth and development of a newly established co-operative insurance society.

8. *Investment:* A co-operative insurance society has to be very careful with regard to investment of its surplus funds. Its future progress and prosperity lies in its investment income. It has to face the problem of investing its funds for a bigger return or for the direct benefit of the co-operative movement which may not be as profitable. Before deciding on investment, however, the co-operative insurance society has to bear in mind the interests of its policyholders. There is a tendency in developing countries for co-operative insurance societies to invest a large portion of their surplus funds within the co-operative field.

You will however be amused to hear of the procedure to be complied with by the Board of a Co-operative Insurance Society in a developing country before any investment is made in property. First of all approval of a General Meeting should be obtained. Then application should be made to the Registrar of Co-operative Societies for permission to invest. By the time the procedure has been complied with the property concerned may have been sold or the price may have gone up. Then the merry-go-round again to get permission at increased price. You can see, therefore, how difficult it is for a co-operative insurance society to make investments. In more advanced developing countries amendments to the co-operative law are being made to permit more efficient investment procedure by large co-operative societies. Permission to invest in industrial stock is also being provided for.

In conclusion, I must add that though there are so many major problems to be solved, co-operative insurance in developing countries can be a success if the members of the Insurance Committee continue to assist in the formation and organization of such societies. The *Malaysian C.I.S.* is the best example of what can be achieved through such assistance. The *Malaysian C.I.S.* in turn has now offered to assist as well in a small way. I hope that by the time we meet again more co-operative insurance societies could have been formed through the direct efforts of our Insurance Development Bureau and the Reinsurance Bureau.

we all do—very inexperienced in the work which must be carried out on an international level. International work is always difficult to carry out even between organizations which base their activities on the same ideals. There are some troubles—even tendencies to conflicts—when they try to find mutual solutions to different problems.

It is therefore difficult to avoid disturbances in international work and that is the reason why I want to stress how important it is that we keep each other informed about our international activities and that we try to work through the international bodies we ourselves have established. If, from a national point of view, we find that an action taken by another member company disturbs us, we must try to understand the good will behind this action and not hurriedly suspect hidden imperialistic tendencies. If in spite of this we are against the action, we must find a way to talk with each other about it in order to clear up the situation. The experience from such cases could be very valuable and serve as a lodestar for future decisions and collaboration.

It is true that the extension of the possibilities to compete in the E.E.C. area will bring with it special problems for the co-operative insurance companies, which for natural reasons do not wish to compete with each other. It will therefore be necessary for these companies to devise new forms of collaboration in order to cope with these and other problems. Considering that the creation of the E.E.C. will probably enable the large internationally operating private stock companies to become even more active in Europe, a number of the small co-operative insurance companies may find it difficult to hold their own if they do not increase their activity through amalgamation or in other ways. The formation of a Common Market for the whole of Western Europe may therefore compel the co-operative companies to work together even more vigorously and intimately.

In such a situation I am afraid that national loyalties often prevent all of us from being sufficiently bold and farsighted. I am aware of the fact that there could be different opinions about the way to extend the co-operative insurance in the international field. I am also one of those who want to examine all new projects with open eyes and from different aspects.

Personally, I decisively favour common international solutions, but I do not hesitate to recommend another course if it produces results more quickly and matters are handled in a correct way. Experience shows that we are always short of time, and not to act without unnecessary delays may mean lost opportunities for one generation or more.

A certain competition between co-operative companies can in some cases be an advantage for the consumers, but generally co-operative enterprises in a country or in different countries should not be engaged in bitter competition with each other. On the contrary, they should trustfully and in concert through information and commercial activity help each other to increase the resources and effectiveness in their competition with other companies and other forms of business organization, mainly the private capitalistic companies—in this case in the insurance field, nationally and internationally.

The problem about the activity of co-operative insurance companies, and their inter-relations in a world with larger markets and gigantic private capitalistic companies of international nature, was made a topic of a dis-

cussion held by leading representatives of the Nordic co-operative insurance companies in Stockholm on April 30, 1964. The result of this discussion was an unanimous declaration of the following content:

"From a Nordic co-operative point of view an effort has been made at this meeting to consider the situation which can come about as a result of the development towards larger international markets.

"After a discussion about the new situation this joint committee has arrived at the conclusion that the Nordic co-operative insurance companies must be prepared to adjust to a changed market situation. The committee has established that the Nordic co-operative insurance companies have no plans to widen their activity to include direct business in other Nordic countries.

"For discussions of controversial questions this joint committee should be regarded as a suitable forum."

It should be necessary for private stock companies in all countries constantly to take into account an efficient co-operative competition. It is furthermore not quite satisfactory if co-operative insurance in a country restricts itself either only to life insurance or only to non-life insurance.

From the point of view of the consumer of a country or a large common market, it is always important that there be facilities for co-operative coverage in the different essential classes of insurance, and that private stock companies be constantly forced to bear in mind an effective co-operative competition.

To prepare us for the future I think that we shall have to clarify the principles according to which we collaborate. I think we need to make a thorough study to accomplish this.

Private insurance companies are to-day merging into huge groups and are operating on the whole international field. They are increasingly putting the co-operative societies into a hard competitive situation. I think therefore that we need a study of the ways in which we can assist each other in order to increase the efficiency of the co-operative insurance movement.

There are many questions to be answered. They are questions that should preoccupy us here rather than others that only give rise to disturbing, inflamed and irritating discussions.

I would like to propose a study to be made and presented to the full conference in 1969. I suggest that the Executive be commissioned to appoint a special committee to perform such a study.

The practical experiences that we have acquired and the trust between the people that has been built up over decades will be of the greatest importance for the future development of co-operative insurance. The technological developments which will change all common conceptions of distance and time will result in large and complicated structural problems for the co-operative insurance companies if we do not follow the developments closely and radically adopt necessary measures in various countries.

In my opinion, such problems can best be solved by a co-operation among co-operatives unimpeded by short-sighted traditional national prejudices.

EXHIBIT 15

Report by Mr. Henri Lemaire on: “Is it Possible to Improve the Results in Motor Insurance?”

For years the insurers in our countries have been complaining about their motor claims statistics, and they are losing lots of money.

From time to time they raise the premium tariffs. But this is only temporary patching. And some months or some years later they have to do the same once again.

As a matter of fact the motor car claims are becoming more and more expensive.

Why?

Several grounds can be alleged:

- 1) *The number of vehicles* is relentlessly growing. As a consequence, the number of crashes grows in the same or even in a higher proportion.
- 2) The speed of the traffic is growing too. All modern cars are able to break the 60 miles. Consequently, many drivers “speed it up.”
Now, it is more difficult, when driving at high speed, to avoid an accident than when driving slowly.

- 3) *The cost of living* is relentlessly going up in all countries. Curiously enough, the prices of all goods are constantly going up except those of the cars.

In western Europe the prices of the cars have been to some extent reduced since these three years. Even a small budget can now, better than before, afford the purchasing and operating costs of a car.

In our co-operative concerns we reckon that a quarter to a third of our staff own a car.

Our professional field agents are all equipped with one.

To-day there are thus more young drivers on the road.

It is unquestionable that young drivers are often rather reckless.

Grown-up people generally use a car to make a trip under reasonable conditions of speed and comfort.

To a teen-ager, every errand is an opportunity for a little thrill.

4) Last but not least, *the premiums are not linked to the index scale* (although the idea might now be on the move).

On the contrary, the repair costs are practically linked to the index.

They are not exactly linked to the cost of living but rather to the salaries. When there is material damage involved the repair costs will depend on the cost of labour. When there are injuries involved, the indemnity allowed by the Courts depends on the victim's salary. Since salaries are going up in all our countries, the claims settlements will forcibly follow the same curve.

It is thus normal as well as unavoidable that from time to time the premium tariffs be adjusted to the settlements.

What can we do to improve the picture?

Of course, we can just go on doing the same and raise the tariffs every now and then, so that the sales prices match the costs.

But this is not a very satisfactory solution.

The real thing to do is to reduce the number of claims.

Can the insurers tackle this single-handed?

Certainly not.

The first move has to come from the public authorities. The insurers will then be able to give their assistance to the authorities in two ways:

First of all by rewarding the safe drivers by means of lower premiums.

Moreover, by advising the authorities on the basis of the data they have registered in the various countries.

This is, in fact, the purpose of the paper I am submitting to the Insurance Committee Conference.

I want to examine together with you all, which measures could be taken in order to perfuse some carefulness into the drivers' minds. In case a majority in this assembly agree about the proposed ways, I suggest that every member company report to their own government on the conclusions of our common activities in this field.

INTERVENTION OF THE PUBLIC AUTHORITIES

In my opinion speed is liable for most accidents. Our first aim ought thus to be a reduction of speeding.

How can this be achieved?

a) By limiting the speed on public roads.

Of course, a line must be drawn between the traffic inside the towns and the traffic on the highways.

Anyhow, it is evident that a speed limitation would be a step towards a reduction in the number and seriousness of the fatalities. Needless to add that such a limitation would work only if speeding is severely restrained.

b) By fighting alcoholic intoxication which induces drivers into speeding, into taking unnecessary chances, whilst it impairs their driving abilities.

c) By making a driver's licence compulsory.

Obtaining such a license requires two abilities;

- 1) A good knowledge of the traffic rules;
 - 2) A sufficient handiness in driving a car.
Theoretically such a thing as a driver's license looks perfectly advisable. But, practically there are no more accidents in the countries without than there are in the countries with a compulsory driver's license.
- d) By forbidding the driving of vehicles to people under a given age.
In my country you have to be eighteen to drive a car. But in other countries people may drive at fifteen provided they get a license.
- e) By making a medical examination compulsory.
In my opinion, this would be of little avail.
I trust that aging people or persons who are somewhat deaf drive with unusual carefulness since they know they are handicapped.
As a rule, the most appalling crashes are brought about by youngsters who are convinced of being top class drivers and on that assumption eager to take the most reckless chances.
- f) By setting special penalties against the trespassers on traffic rules.
Which are the most efficient penalties against offenders and people who have caused accidents due to their recklessness, bearing in mind that such penalties aim in the first place at preventing the repetition of the offense?
Indeed, the penalties are not set in order to punish as they were in the old times, but to prevent further offenses.
Among the penalties that may be considered let us mention:
- 1) A fine—we are under the impression that such a penalty is practically purposeless.
 - 2) A penitentiary sentence.
 - 3) Cancellation or suspension of the driver's license.
- Are there other and more effective penalties to be taken into consideration?

WHAT CAN WE, INSURERS, DO TO HELP MATTERS?

In the first place, we must confess that we made a fundamental mistake—and I wonder whether it would still be possible to amend it—when basing the premium on the horse-power instead of on the driver's skill.

Practically, we realize that those who pay heavy premiums for big cars drive these as a rule under perfectly relaxed conditions, and with much self-control and carefulness.

On the other hand, the hot-rods which overtake them at top speed are generally small sport cars paying light premiums and driven by light-headed youngsters.

One is entitled to wonder whether the difference in the way those people drive is not to be traced to the fact that the first ones are some twenty-five years older than the others.

Now, is there no way to shake down the universally acknowledged principle of premiums based on horse-power?

I think there is.

But to achieve such a radical turn, all insurers ought to join the move.

Anyhow, whether we switch over to a new system or stick to the present one, we are bound to find a way to reward those who drive carefully and punish those who, owing to their recklessness, bring about unnecessary fatalities.

In my opinion, the only way to reach such a goal is to grant a bonus to accident-free drivers and to penalize with a malus those who are prone to run into trouble.

In my country, some insurers tried to grant bonuses scaled in accordance with the policyholders' various professions.

But they often noticed that the driver of the car was not always the guy who had underwritten the contract.

Under these conditions, classifying the policyholders according to their profession or trade became purposeless.

All the preceding considerations aim only at giving matter for thought to the delegates attending the I.C.A. Insurance Committee Conference.

We hope that many of them will give us a piece of their opinion on the problems mentioned in this paper.

Henri LEMAIRE.

EXHIBIT 16

Bibliography annexed to Mr. Vanderbeek's comments
on item 9 of the Agenda

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5. Philipson, Carl, *op. cit.*
6. Martin, *op. cit.*
Wittick, *op. cit.*

EXHIBIT 17

**Societies affiliated with the Insurance Committee
of the International Co-operative Alliance**

- | | |
|--------------------|---|
| 1 <i>Australia</i> | 1 National Co-operative Insurance Society 799-801, Hunter Street, Newcastle West (New South Wales) |
| 2 <i>Austria</i> | 2 Wiener Städtische Wechselseitige Versicherungsanstalt Schottenring 30 — Ringturm, Vienna 1 P.O. Box 80 — Hauptpost. |
| 3 <i>Belgium</i> | 3 La Prévoyance Sociale P.S. Building, rue Royale, 151, Brussels 3 4 Les Assurances Populaires rue de la Loi, 141, Brussels 4 |
| 4 <i>Canada</i> | 5 L'Assurance-Vie Desjardins Edifice Desjardins, Lévis (Province de Québec) 6 La Société d'Assurance des Caisses Populaires 100 Est, Route Trans-Canada, Lévis (Province de Québec) 7 Co-operative Insurance Services 1920, College Avenue, Regina (Saskatchewan) 8 Co-operators Insurance Association 9 Co-operators Life Insurance Association 150, 9th Street, Owen Sound (Ontario) |
| 5 <i>Denmark</i> | 10 Alka Gothersgade 45, Copenhagen K 11 Andels-Pensionsforeningen H.C. Andersens Boulevard 47, Copenhagen V 12 Forsikringselskabet Faellesvirke 13 Mejeriernes og Landbrugets Ulykkesforsikring Vester Farimagsgade 19, Copenhagen V 14 Genforsikringselskabet Nerva A/S 15 Andels-Anstalten Tryg Rosenørns Allé 1, Copenhagen V |

- 6 *Finland* 16 Keskinäinen Henkivakuutusyhtiö Kansa
 17 Keskinäinen Vahinkovakuutusyhtiö Kansa
 18 Pensionkassa Tuki
 Hämeentie 33, Helsinki
 19 Eläkekassa Elonvara
 20 Henkivakuutusyhtiö Pohja
 21 Keskinäinen Henkivakuutusyhtiö Pohja
 Runeberginkatu 5, Helsinki
- 7 *France* 22 La Sauvegarde
 14, rue de la Chapelle, Paris 18^e
- 8 *Germany* 23 Deutsche Sachversicherung Eigenhilfe
 Steinstrasse 27, Hamburg 1 P.O. Box 998
 24 Raiffeisen- und Volksbanken-Versicherung
 Sonnenbergerstrasse 2, Wiesbaden (16)
 25 Alte Volksfürsorge
 An der Alster 57-61, Hamburg 1
- 9 *Great Britain* 26 Co-operative Insurance Society
 C.I.S. Building, Miller Street, Manchester 4
- 10 *Holland* 27 De Centrale
 Rijnstraat 28, The Hague
 28 Vemaco
 Westzeedijk 487, Rotterdam 6
- 11 *Iceland* 29 Samvinnutryggingar
 30 Andvaka
 Armuli 3, Reykjavik SA.
- 12 *India* 31 The Union Co-operative Insurance Society
 23, Sir P. M. Road, Fort Bombay — P.O. Box 1027
 32 Co-operative General Insurance Society
 548, Mahatma Gandhi Road, Hyderabad 1 (A.P.) —
 P.O. Box 212
- 13 *Israel* 33 Hassneh
 19, Rothschild Boulevard, Tel-Aviv
- 14 *Italy* 34 Compagnia Assicuratrice Unipol
 Via Oberdan, 24, Bologna
- 15 *Japan* 35 National Federation of Insurance Co-operatives for
 Labourers and Consumers
 Rokin-Kaikan, 5, 2-chome, Minatoku, Shiba-Tamura-
 cho, Tokyo
 36 Zenkyoren (National Mutual Insurance Federation of
 Agricultural Co-operatives)
 Zenkyoren Building, 2-7, Hirakawa-cho, Chiyoda-ku,
 Tokyo
- 16 *Malaysia* 37 The Malaysian Co-operative Insurance Society
 36, Jalan Ampang, Kuala Lumpur — P.O. Box 817

- 17 *Norway* 38 Livsforsikring Samvirke
 39 Skadeforsikring Samvirke
 Tollbugaten 20, Oslo
- 18 *Pakistan* 40 The Co-operative Insurance Society of Pakistan
 Co-operative Insurance Building, The Mall, Lahore 3
 P.O. Box 147
- 19 *Puerto Rico* 41 Cooperativa de Seguros de Vida de Puerto Rico
 Calle Fernando Calder, 463, Roosevelt, P.O. Box 267
- 20 *Sweden* 42 Folksam Mutual Life Insurance Society
 43 Folksam General Mutual Insurance Society
 44 Folksam International Insurance Company Limited
 45 Folksam Workmens Compensation Mutual Insurance
 Society
 Bohusgatan 14 — Folksam Building, Stockholm 20
 46 Kooperationens Pensionsanstalt
 Bohusgatan 14, Stockholm 20
- 21 *Switzerland* 47 Coop-Lebensversicherungs-Genossenschaft
 Aeschenvorstadt 67, Basle
- 22 *Tunisia* 48 El Ittihad
 24, rue du Portugal, Tunis
- 23 *U.S.A.* 49 Nationwide Mutual Insurance Company
 50 Nationwide Mutual Fire Insurance Company
 51 Nationwide Life Insurance Company
 52 Nationwide General Insurance Company
 246, North High Street, Columbus 16 (Ohio)
 53 Mutual Service Life Insurance Company
 54 Mutual Service Casualty Insurance Company
 1919, University Avenue, Saint Paul 4 (Minnesota)
 55 League Life Insurance Company
 13300, Woodrow Wilson, Detroit (Michigan) 48238
- Observer* Saskatchewan Government Insurance Office
 11th Avenue and Cornwall Street, Regina
 (Saskatchewan)

International Co-operative Alliance Insurance Committee Rules

Art. 1. The Insurance Committee of the International Co-operative Alliance has as its objects joint investigation, the development of joint action programs, the exchange of information and personnel, and the establishment of international co-operative relations in matters of insurance and reinsurance.

Art. 2. Membership of the Committee shall be open to co-operative insurance societies.

Other insurance organizations 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 Insurance Committee with the consent of the Central Co-operative Organization of their respective countries.

But before admission is finally agreed, the views of the existing member societies of the country concerned shall be ascertained.

Art. 3. Contribution to the funds of the Committee shall be calculated on the basis of £1 for each complete 100 000 pounds sterling of yearly premium income, with a minimum contribution of £50 from each affiliated society or group of connected societies.

Art. 4. The Executive Committee shall consist of seven members elected by the Insurance Committee. At the first meeting of the Executive Committee following each Congress, a Chairman, a Vice Chairman and a Secretary shall be elected.

The President, Director and General Secretary of the I.C.A. shall be ex-officio members of the Executive Committee.

In 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 shall have power to co-opt a person or

persons employed by a member Society or Societies to fill the vacancies until the next Conference of the Insurance Committee. Persons co-opted shall not necessarily be in the service of the Society or Societies which employed the previous 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 persons shall not participate in the general work of the Executive Committee and shall not have a vote.

Art. 5. The Insurance Committee shall meet in Conference every three years at the same time and place as the Congress of the International Co-operative Alliance.

It shall:

- a) Consider the report of the Executive on its activities since the previous meeting, also the financial statement and take decisions thereon.
- b) Re-elect or replace members of the Executive.
- c) Give their decisions regarding the proposals submitted by the Executive.
- 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.

Art. 6. The Executive will meet whenever the necessity arises, but not less than one time 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.

Art. 7. The Executive is responsible for the organization 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 subcommittees as may be considered necessary for the conduct of its affairs.
- c) Approve the statement of receipts and expenditure on the proposition of the Secretary.
- d) Supervise the carrying out by the Secretariat of the decisions of the Conferences.
- e) Supervise the work of the International Co-operative Reinsurance Bureau.

Art. 8. The Secretary of the Committee is responsible for the co-ordination of information, for undertaking necessary investigations and for supplying the affiliated Organizations with summaries of the various documents.

He also prepares reports for submission to the Executive Committee.

Art. 9. The Secretary of the Insurance Committee will furnish reports on the work of the Committee to the Central Committee of the International Co-operative Alliance.

(As amended by the Full Conference on October 11th, 1963.)