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Analysis of the Strategic Landscape for Mutual Insurers & Friendly Societies 2021

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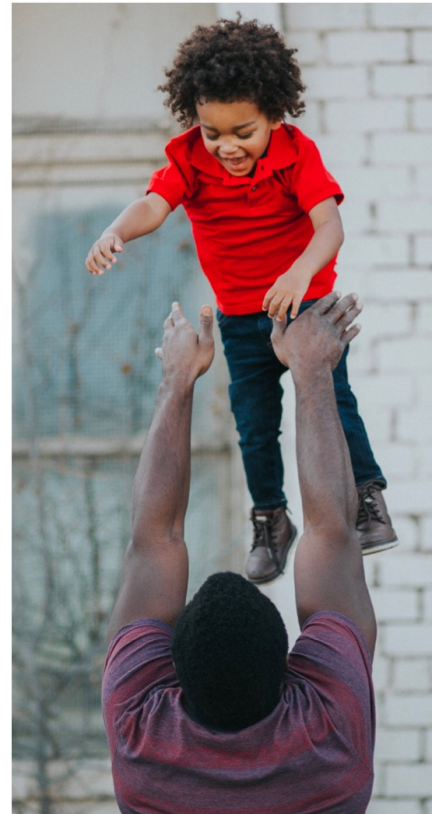


Whitecap Consulting works with board members, executives and investors of mid-sized organisations to facilitate growth aims and **delivers strategy development, business planning & implementation support.**



The strategic landscape for **MUTUAL INSURERS & FRIENDLY SOCIETIES**

November 2021

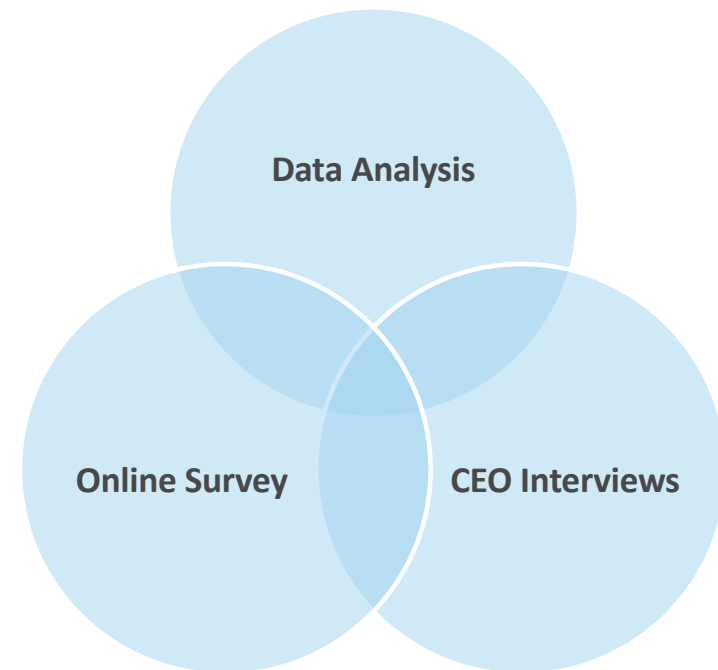


Report Overview

The Brief

- How can smaller mutual insurers and friendly societies differentiate in future, against a backdrop of change in the financial sector and wider economy?
- How can the sector:
 - Deliver relevance and differentiation?
 - Develop competitive and sustainability strategies?
 - Achieve digital acceleration and technology enhancements to meet customer needs?
- The report aims to help individual organisations develop business strategies to respond to market forces, as well as supporting AFM develop collective initiatives to support members.

Research Methodology



AFM's Membership is Diverse & Resilient

Association of Financial Mutuals

43 member organisations, including financial mutuals, friendly societies, and not-for-profit organisations

69% of AFM members have reported premium growth since 2016

5.8% CAGR premium growth since 2016

2,500 employees

8,000,000 members / customers

£1.1 billion annual premiums

UK Financial Mutual Sector

30,000 employees

30,000,000 members

£20 billion annual premiums

Key products

- Savings
- Pensions
- Protection
- Healthcare

Key sectors

- Life insurance & savings
- Non-life/General Insurance
- Health & Protection

Key Observations

- There is a diverse and resilient AFM membership.
- Purpose-led nature and mutual ethos is well-aligned to the direction that society appears to be moving.
- Commonalities: ethos of mutuality, appetite for collaboration and knowledge sharing, the ESG agenda, and future challenges.
- Clusters: digital priorities, perception of sources of competitive advantage, and also future trends within the market sectors the organisations operate in.

Financial Mutuals & Friendly Societies

This infographic visualises AFM's ecosystem of members and associate members, plus organisations that are actively engaged via other initiatives.



Strategic Considerations / Action Areas

1. Promoting the mutual ethos
2. Strategic focus for growth
3. Adoption of digital technology
4. Non-competitive collaboration
5. Embracing ESG

- 13 Actions for AFM
- 17 Actions for AFM Members
- 32 Strategic Questions for CEOs & Leadership Teams

1. Promoting the Mutual Ethos

Promoting the mutual ethos

Championing mutuality in a way that resonates with current and future members/customers by articulating the benefits and value they receive as a member of a mutual and following through with delivery of these benefits: People over profit.

71%

of AFM members believe that Mutuality is acknowledged but not understood by their members.

90%

of AFM members believe that Mutuality is less about the title and more about our culture, values and actions.

2. Strategic Focus for Growth

Strategic focus for growth

Understanding why members/ customers choose a mutual or not for profit organisation over a shareholder-owned competitor, and how these drivers might change over time.

Specialist Market Providers

- Large focus on member retention
- Ongoing pipeline of prospective members
- Strong focus on financial sustainability
- Limited direct competition

Mass Market Providers

- Focus on member acquisition
- Scale and commercial viability
- More competitive market

3. Adoption of Digital Technology

Adoption of digital technology

Ensuring the organisation is clear about what role digital technology investments will play with regards to enhancing member/customer engagement, delivering specific benefits and efficiency gains, taking into account evolving member/customer needs and the wider competitive landscape.

63%

of AFM members plan to evolve their current systems as part of their future tech plans rather than replace them.

88%

of AFM members believe that digital technology is required to keep pace with other providers and customer needs.

4. Non-Competitive Collaboration

Non-competitive collaboration

Being open to and actively seeking the benefits of knowledge share and shared learnings, as well as collaboration and outsourcing, to support mutual values, and enhance service quality, operations and digital acceleration, to ensure future survival and greater competitiveness.

71%

of AFM members would be interested in collaboration on tech solutions with other AFM members.

45%

of AFM members believe that there is potential for collaboration on Tech solutions in the future.

5. Embracing ESG

Embracing ESG

Proactively engaging with the broad spectrum across the ESG agenda as a strategic discipline, covering each of Environmental, Social, and Governance.

61%

of AFM members revealed they have a dedicated plan for ESG and 37% stated that they plan to have one in the future.

73%

of AFM members believe that ESG will help the AFM membership to thrive in the future.

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Mutuality

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90% of AFM members believe that mutuality is less about the title and more about our culture, values and actions.

Over **1/3** of the CEOs see a clear link between mutuality and the type of employee it attracts.

Collaboration

71% of AFM members would be interested in collaboration on tech solutions with other AFM members.

ESG

61% of AFM members revealed they have a dedicated plan for ESG and 37% stated that they plan to have one in the future.

73% of AFM members believe that ESG will help the AFM membership to thrive in the future.

Technology

88% of AFM members believe that digital technology is required to keep pace with other providers & customer needs.

63% of AFM members plan to evolve their current systems as part of their future tech plans rather than replace them.

Future challenges

76% of AFM members ranked regulatory cost / change as one of the biggest future challenges.

68% of AFM members ranked digital transformation as one of the biggest future challenges.

Three Areas of Strategic Focus

Stay focused on the member/customer

- Assess their understanding of the value delivered by the organisation relative to alternative offerings and don't assume that the benefits members receive are understood by all.
- Conduct and/or refresh a structured analysis of customer insight, decision making and satisfaction criteria (with benchmarked performance) as a priority.

Make mutuality work for each organisation

- Evidence a people focused approach and quality of engagement that gives people a reason to choose the mutual option.
- Specifically, use the member/ customer insight generated to identify key value drivers identifying the benefits that customers truly value about mutual organisations.

Take away the reasons people might choose not to use the organisation

- Take actions such as: providing for digital needs; amplifying relevant customer experience through case studies and testimonials; using digital capability to enhance the people-centric ethos and approach; and providing meaningful links to social purpose and ESG.

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