



VZAJEMNA
zdravstvena zavarovalnica, d.v.z.

Corporate governance in a mutual insurance company

Case of Vzajemna*,
mutual insurance company, Slovenia

*pronunciation - Ouza:ïém:na

Dušan Kidrič, Chairmen of the management Board



Health insurance in Slovenia

- Health insurance in Slovenia consists of compulsory social insurance and voluntary insurance.
 - There is only one compulsory social insurance provider – the Health Insurance Institute of Slovenia (HIIS) (caisse nationale d'assurance maladie).
- Within the voluntary health insurance, the complementary one prevails.
 - Complementary health insurance covers the risk of co-payments to fees for services, which are not fully covered by the compulsory social insurance.
 - There are three insurance providers of complementary insurance.



Legal framework of “Vzajemna”

- In Slovenia, there is only one mutual insurance company - Vzajemna.
- Vzajemna operates under the legislation governing insurance business (Insurance Act). In Slovenia, there is no specific act for mutual insurance companies (code des mutuelles).
- Complementary health insurance and some elements of insurance business are regulated by the Health Care and Health Insurance Act .



Corporate governance in insurance companies

- Legally, corporate governance in an insurance company equals to other commercial companies (with exemption of licensing of members of management board by the state Insurance Supervisory Agency).
- Corporate governance in a mutual insurance company differs from other insurance companies in the constitution of a general assembly (assemblée générale).



general assembly (assemblée générale)

• **Joint-stock insurance company**

- Shareholders
- Differentiation of owner's votes according to the value of their shares. Each currency unit has the same weight .

• **Mutual insurance company**

- Members
- No differentiation of member's vote. Each member has one vote.



Provisions governing the realization of mutuality in complementary health insurance

- Open and non-discriminatory access to insurance
 - The highest rate of insurance possible (in Slovenia practically more than 90 % of adult population)
 - Same premium for each insured person, regardless their age or health status in a particular insurance company
 - Equalization scheme between insurance providers
- Proportional (to membership) participation in the general assembly
 - **While generational mutuality**, participation in the general assembly should reflect age structure.



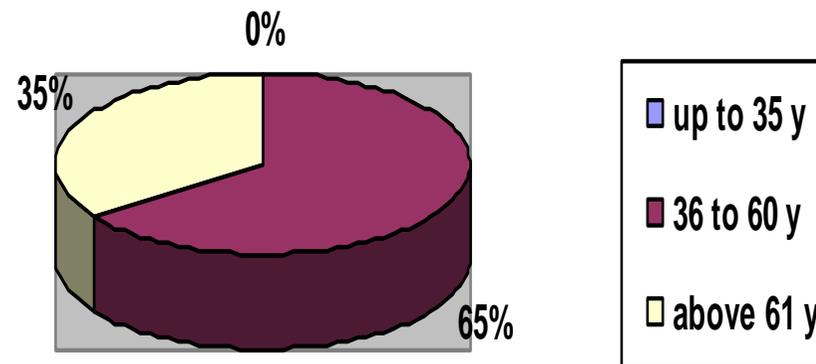
Brief history of general meetings of Vzajemna

- Vzajemna exists for 10 years. In this period there were four types of general assembly composition arrangements.
 - Temporary general assembly (2 years)
 - General meeting, consisting of member representatives (4 years)
 - Representatives elected in electoral districts
 - General meeting, consisting of all members (4 years)
 - Collection of members' authorizations for multiple meetings
 - Collection of members' authorizations for each meeting separately



Temporary general meeting

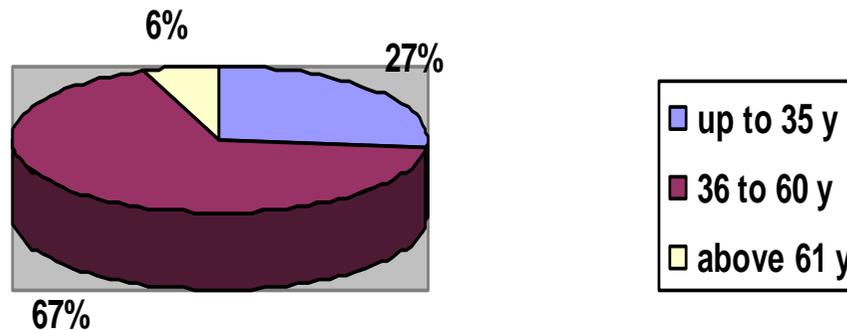
- In the period of transfer from compulsory Public Health Insurance Fund to a mutual insurance company, the government appointed temporary general meeting. The age structure of members of the general assembly was highly disproportional to the age structure of all members. There weren't any young members.





general assembly of member representatives

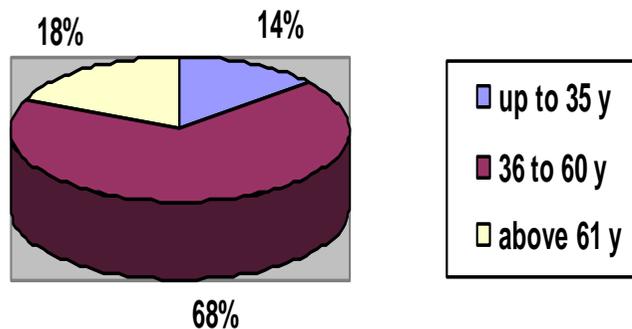
- The age structure of representatives was highly disproportional to the age structure of members. The most disregarded was the group of insured people above 61 years.





general assembly of all members

- The age structure of those who actually attended the general assembly remains highly disproportional to the age structure of members. The most disregarded was the group of insured people above 61 years.





Explanation of such results

- In the past period, in Vzajemna the hierarchy of governance was pervert: executive body suggested to members of general assembly (which election was influenced by executive body) to appoint the wished supervisory body.
- Instead of helping different age groups to participate proportionally in the general meeting, the information and activities were used to elect members and/or structures desired.



Privatization - the reason for such behavior?

- In the period between 2003 and 2006, the demutualization of "Vzajemna" and privatization of assets in the mind of management board and supervisory board were the objective, main task and the only right way for company's development.
- In the next period, the privatization of assets was not more in the agenda. But it has been observed that governance was privatized in the hands of the management board .



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Misunderstandings and/or non-acceptance of the principles of mutuality

- Instead of developing democratization of governance and participation of members in running their firm, management and in some political actors tried to convert the Vzajemna to joint stock company
- Demutualization and privatization were the obvious sign of misunderstandings and/or non-acceptance of the principles of mutuality.



Extraordinary management board

- The Extraordinary management board had a nine-month term. The Supervisory Board of "Vzajemna" was Insurance Supervisory Agency. general assembly had no authority and has not been convened during this period.
- After nine months, regular general assembly was convened: the system of elections to the Assembly was the same as before (Assembly of all members (and/or plenipotentiaries)).



Six years of mandate of General assembly

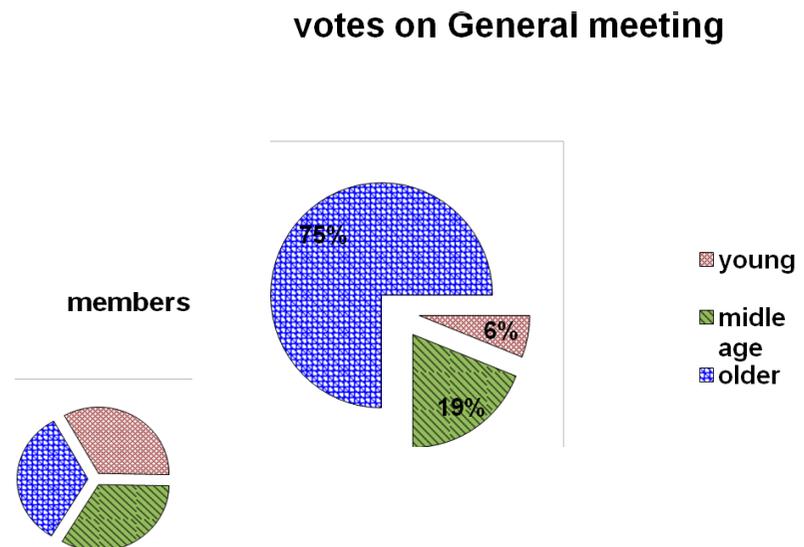
- After two years one third of representatives (3 in each group) will be replaced by 3 substitutes. After next two years one next third of representatives (3 in each group) will be replaced by 3 substitutes.
- The goal of such arrangement is to prevent formation of coalitions in general assembly



general assembly after Extraordinary management board

- The first general assembly after the period of extraordinary management board has been characterized by a high commitment of retirees' organizations to collect the largest possible number of authorizations for votes for the General Assembly .

Again, this resulted in high disproportion to the members structure – but in opposite sens





Reinforcement of principles of mutuality democratization

- After all described events concerning “Vzajemna”, amendment to law on insurance business was adopted in October 2010.
 - General Assembly has to reflect age structure of members
 - All members (850.000) are divided in five groups , each group has 20% of members (170.000).
 - Each group elects nine representatives and substitutes
 - Elections are general



Rotation and co-optation of representatives

	1.C	2.C	3.C	4.C	5.C
REPRESENTATIVES 45	9	9	9	9	9
SUBSTITUTIONAL REPRESENTATIVES 90	18	18	18	18	18

2 YEARS:

	1.C	2.C	3.C	4.C	5.C
A_0	3	3	3	3	3
B_0	3	3	3	3	3
C_0	3	3	3	3	3

+1/3 OUT / LOT

CO-OPTATION $A_0 + B_0 = C_1$

IN

	1.C	2.C	3.C	4.C	5.C
A_0	3	3	3	3	3
B_0	3	3	3	3	3
C_1	3	3	3	3	3

4 YEARS:
LOT (A_0 or B_0) -1/3 OUT

	1.C	2.C	3.C	4.C	5.C
A_0	3	3	3	3	3
B_0	3	3	3	3	3
C_1	3	3	3	3	3

CO-OPTATION $A_0 + C_1 = B_1$ IN

	1.C	2.C	3.C	4.C	5.C
A_0	3	3	3	3	3
B_1	3	3	3	3	3
C_1	3	3	3	3	3



Implementation of new legal provision

- "Vzajemna" would implement the new provisions in a year (preferably in eight months). This is not only a major technical or legal exploit (work), but more the social and political one
 - Changes of Statue of “vzajemna”
 - Election rules
 - Nomination of candidates, formation of lists
 - Election
 - Traditional en voting pools
 - Via internet