



Some obstacles in the way of
the mutual model.....



...and some thoughts on
how to surmount them

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What is the mutual model?

- Policyholders own the business
- Recognised in most systems of law
- UK companies limited by guarantee and friendly societies



Why the mutual model?

Ethical/Religious

- Mahmoud A. El-Gamal:
 - Mutuality as an antidote to rent-seeking Shari'a-arbitrage in Islamic Finance Rice University, April 2005
 - Islamic Finance, Law, Economics & Practice Cambridge University Press, 2009

Practical

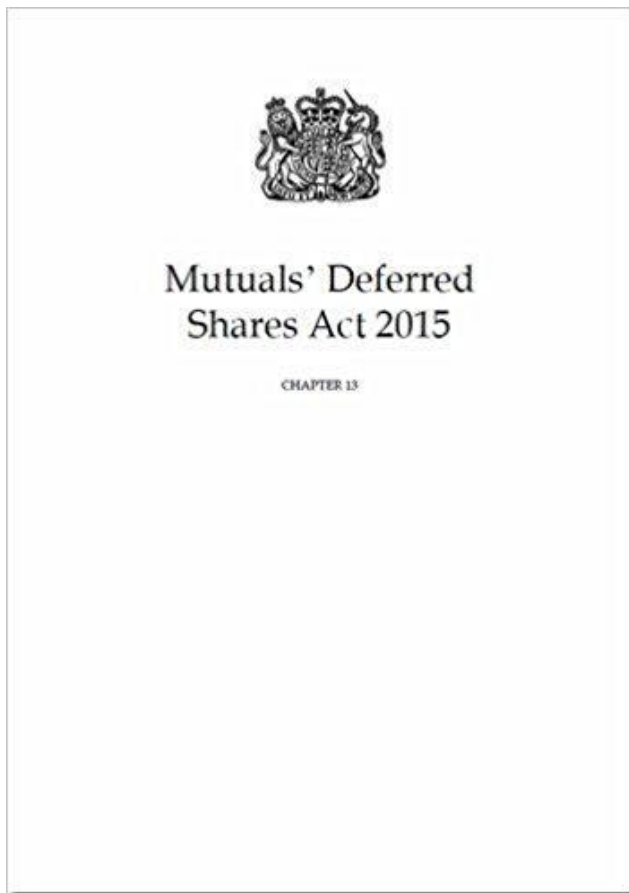
- Simplicity
- Transparency
- Increasing regulation of “Complex Financial Products”
- Timing: mutuals are a ready-made solution

What are the obstacles?



- Capital
- How to raise capital
 - Demutualisation
 - Bonds/Sukuk
 - Mutual Deferred Shares

Mutuals' Deferred Shares Act 2015



- In a nutshell:
 - Enabling legislation
 - Tier I Capital under Solvency II
 - Effectively permanent share capital
 - Fully transferrable
 - Restrictions on voting rights on demutualisation
 - No restrictions on how investors may be remunerated (subject to Solvency II)
 - One member, one vote

The Problems.....

- The regulations
- Tax treatment



....and how to solve them



- Outside the UK
 - Model of Mutuals' Deferred Shares Act
 - But.....
 -learn from our mistakes
- Inside UK
 - Parliamentary pressure to complete Regulations
 - Legislation to resolve tax issue