I. **Introduction**

The European Commissioner for Jobs and Social Rights, Nicolas Schmit, announced in the communication for a “Strong Social Europe for Just Transitions” from 14 January 2020 that the European Commission will propose an Action Plan for the Social Economy in the fourth quarter of 2021 “(...) to enhance social investment, support social economy actors and social enterprises to start-up, scale-up, innovate and create jobs”.

The ongoing Covid-19 crisis and its serious consequences has definitively shown, how important social economy enterprises with its main players associations, foundations, mutual benefit societies and cooperatives are. Suddenly, health, resilience and solidarity moved into the focus of policy making. Solidarity is the most important core value of mutual benefit societies. In the healthcare sector, they contribute to good, affordable, and universally accessible health care for all in the countries in which they operate. And, if there is one thing that the COVID-19 crisis is teaching us, is that good healthcare is an important pillar of a social society and of a social Europe.

Mutual benefit societies contribute to the improvement of social policy and environmental topics. They play a role as ‘social movement’, based on a democratic participation of their members. They promote a democratic and social model by setting the example: their members are fully integrated in the governance of the mutual. As non-profit actors, they play a key role, often on behalf of public authorities, in providing innovative social services of general such as healthcare as well as general care services. They strive for an ambitious role in the debates on the implementation of the European Pillar of Social Rights, the UN sustainable development goals and the European Health Union.

AIM, the international and European umbrella organisation of mutual benefit societies is therefore grateful to give feedback on the Commission proposal for a Social Economy Action Plan.

II. **Social Economy: A window of opportunity**

In recent times, the mutual model as well as social economy gets a lot of attention. In 2020, the European Commission announced in its communication “A Strong Social Europe for Just Transitions” to launch an Action Plan for the Social Economy in the 4th quarter of 2021. Apart from that, the Entrepreneurship and Social Economy unit in DG GROW inserts the social economy sector in many political documents. In March 2020, the European Commission mentioned social economy enterprises in the SME and Industrial Strategies and Circular Economy Action Plan. In the Green paper on healthy ageing, published on 27 January, the Commission refers to mutuals. Furthermore, the Commission has proposed representatives of mutuals for the High-Level meeting for the Pact of Skills. Within the framework of the “Digital Road to Mannheim”, a series of online events, which take place ahead of the European Social Economy Summit in Mannheim in May 2021, mutuals organised a workshop on artificial intelligence in healthcare. The Action Plan on the Pillar of Social Rights state that investments in the social economy and innovation as well as in social infrastructure will be supported. The mutuals are also mentioned in the Commission working document on the Action Plan on the Social Pillar published...
recently. Also the Strategic Foresight Report refers to the importance of mutual benefit societies as important actors to build Europe back better.

III. Main goal of mutual benefit societies: legal recognition

The main goal of mutuals is to strengthen the social economy and the mutual model through promotion and to get legal recognition.

1. Mutual benefit societies providing life and non-life insurance services and complementary social security schemes

Governments tend to spend more money for public healthcare forgetting about complementary healthcare. Nevertheless, as government interest in controlling health spending grows, the role of complementary health insurance in health financing will increase. A key challenge, however, will be to preserve the principle of solidarity between rich and poor and healthy and sick, and avoid risk selection. In this respect, the mutual model is a good alternative to complement/represent statutory health insurance, when there is a need for it.

As stated in the impact assessment on the creation of European mutual societies from 2013, for mutuals,

“that are enterprises providing life and non-life insurance services, complementary social security schemes, and small value services of social nature, the legal business form of a mutual is not recognised in all Member States. There are no legal instruments that allow them to create enterprises in the form of a mutual in all Member States, or to establish groups. Groups can be necessary in order to consolidate assets and respect the new solvency requirements for insurance companies. Due to the fragmentation of national legislation and gaps in regulation at EU level, there is a risk of “demutualisation”, i.e. “social economy” (not profit driven) enterprises that are based on solidarity of members may be transformed into companies based on share capital and quoted on the stock exchange, which do not face the same obstacles. This would mean that these enterprises would have to give up some of their core values and principles.”

The constraints imposed on sickness funds in Belgium, such as imposing additional compulsory taxes in France on their global turnover, could mean that the complementary/voluntary plans the mutuals offer may decline or even disappear or that their role as defenders of the patients is compromised.

As in some countries (e.g. Belgium) mutuals are also key actors in the compulsory health insurance they are faced with the often conflicting task of finding a balance between the needs of the patients on the one hand and safeguarding the financial equilibrium of the sector on the other.

2. Mutual benefit societies providing compulsory health insurance

The current on-going COVID crisis has shown that the generally good and universally accessible health care in most Member States in Europe turned out to be an important foundation in the fight against the pandemic. Countries with strong social protection systems, including mutuals, can better protect their populations against the threats of pandemics, as well as against the threats of the social consequences. Moreover, the COVID-19 crisis is not only a threat to people’s health but has far-reaching consequences for the economy and society. The pandemic has increased social inequalities and has especially affected socially disadvantaged families and children. People with less income and low savings, as well as people with a low level of education, living in cramped house conditions are more at risk than others. Mutual societies are constantly working to find a solution to these problems and influence policies at European
and national level. Moreover, mutuals have played and still play a role as ‘operator’ in handling the crisis: They helped in contract tracing, they will engage ‘community health workers’ to try to reach people that are difficult to contact (for example the homeless), etc.

3. **Mutual benefit societies providing health- and long-term care services**

Mutual benefit societies do not only provide insurance but health- and long-term care services. Some have healthcare facilities, including hospitals and long-term care facilities which are in the front line during the pandemic.

However, there are still almost cultural misunderstandings about the definition of the social economy and the actors inside of it. Often there is also a lack of understanding about social impact and social business. With their core values of solidarity, democratic governance and no shareholders, mutual benefit societies operate for the benefit of their members and hence, by their nature, in a socially responsible way. They can contribute to providing a part of the solution to the European challenges in adequate social protection. To be able to play this role, mutual benefit societies require a level playing field to be able to compete with other private companies on the same terms. Legal recognition would not only provide a specific legal framework for mutual benefit societies to work across border but it would facilitate s greater awareness of mutual benefit societies in the future policy making.

IV. **AIM recommendations for a European Social Economy Action Plan**

1. **Promote mutuals as one of the main actors to implement the principles of the Pillar of Social rights by e.g. offering health- and long-term care services at a high quality and by guaranteeing access to these services for all at an affordable price**

- Promote and integrate mutual benefit societies as a social economy actor in the European Semester and in the implementation of the European Pillar of Social Rights.
- A European Commission communication on “Why are mutual benefit societies good for Europe”
  - Document should contain the definition on the ‘essentials’ of a mutuality (solidarity, no risk selection, democratic, access to health and social services for all? What are the main characteristics that are indispensable before an organisation can call itself ‘a mutuality’ and what is the actual impact for the European society.
  - Comparison to stock companies should be developed to underline the arguments.
  - Show the difference of insurance products and mutual products (e.g. cheaper, accessible, active in prevention and health inequalities).
  - Show that mutual benefit societies are a “social movement”

- Boost social investment in social services and healthcare with a focus on non-for-profit-entities, especially in the light of COVID-19, which severely impacted health mutual benefit societies.

- Promote mutual benefit societies within the Green Deal and promote their activities with regards to their activities in environment and health.

- Promote mutual benefit societies as key actors in providing services of general interest.
2. Improve equal access to the Single market for the social economy including mutual benefit in the Single Market

- Boost legal recognition for associations, foundations, and mutual benefit societies to overcome existing barriers of those actors when acting cross border

- Take into account the diversity of enterprise models operating in the EU when legislation is drafted or revised to ensure that it is appropriate and proportionate for all business models

aa) Solvency II directive: Proportionality and simplification

- With regard to the diversity of the organisations, AIM advocates for a concrete and tangible application of proportionality, by considering the possibility of combining key functions and the exemption of a certain number of reporting statements for mutual benefit societies, which, for the most part, remain small and medium-sized companies with a low risk profile.
- Raising the thresholds for Solvency 2: AIM hopes that the threshold on contributions can be effectively raised to €25M for health organisations which are low risk profile entities.
- Proportionality and simplification: simplification efforts are going in the right direction but remain largely insufficient; more simplification is needed in quantitative reporting (QRTs) as well as for the Solvency and Financial Condition Report (SFCR). For the SFCR, a summary of a few pages would be sufficient and more relevant for policyholders. Regarding the QRTs, the minor changes could have significant operational impacts for the organisations and the proposed deletions concern very few organisations.
- The Solvency II directive should make room for “horizontal mutualist groupings” to enable mutual benefit societies the creation of mutualist groupings with mutuals form different Member States. This helps to develop complementary accessible social protection of high quality.

bb) Adapt the EU competition and state aid rules, which take the legal form of mutual benefit societies into account

As stressed by 1989 Commission communication “Business in the Social Economy sector: Europe’s frontier free market”: “Such enterprises belong to the social economy sector because of their purposes and the way they organise and manage their productive activity. It has nothing to do with the nature of the economic goods and services produced”. The singularity of social economy regarding their compulsory reinvestment of profits or limited distribution of benefits, should be reflected in the EU competition and state aids rules as well as promoted by the European Union’s Law.¹

3. Produce an interpretative communication regarding article 54 TFEU

The Commission should take the initiative to adopt an interpretative communication to make sure that all social economy actors, including mutual benefit societies, are able to fully benefit from the internal market, notable with regards to the freedom of establishment and the freedom to provide services. Such a communication should also analyse the link of social

economy actors, active in the area of healthcare, social services and work integration of people at risk of exclusion, to the notion of ‘Social Services of General (Economic) Interest.’

4. Add a protocol on the diversity of forms of enterprises in the EU as an annex to the TFEU, including the social economy actors and their different legal forms such as mutual benefit societies.

5. Enhanced cooperation could be an option for Member States who are willing to have legal recognition for mutuals

An option could be to no longer seek acceptance by all the Member States, but only by those that are willing to move forward. To do this, the Treaty of Amsterdam (1997) established the said mechanism of enhanced cooperation, as used to this day by Article 20 of the TEU and Articles 326 to 334 of the TFEU.

An already existing group of 14 EU countries which are active in developing social economy at the national and European levels can be used to develop a legal framework on mutuals/associations (as these are the two groups, which tried to achieve a statute). The tool of enhanced cooperation allows Member States to move at different speeds and towards different goals than those outside the enhanced cooperation area. The procedure is designed to overcome paralysis, where a proposal is blocked by an individual country or a small group of countries who do not wish to be part of the initiative. It does not, however, allow for an extension of powers outside those permitted by the EU Treaties.

6. Develop an international Social Economy Action Plan to boost mutual benefit societies at global level as important actors for the implementation of the SDGs

a) AIM regions Africa and Middle East: Social Economy should be part of international partnership programmes from the European Commission

Social economy is a global movement that also plays a role outside of Europe. Mutuals play for instance a role in the healthcare delivery in Africa.

It is therefore very important that the development of social economy is a part of international partnership programmes that the European Commission is committed to. We think for instance particularly about the future adoption of the Africa – Europe Strategy, as well as of the general push to achieve Sustainable Development Goals. According to data from the International Labour Organization, in Africa, more than 80% of the rural population and 60% of the urban population is excluded from the right to health protection. Mutuals participate significantly in efforts to extend healthcare coverage to populations, therefore contributing to Sustainable Development Goal 3.8 on achieving access to Universal Healthcare Coverage, among others. Mutuals are committed to gender equality within grassroots-level structures, among mutual members and in the life of their leadership bodies.

As the world prepares exit strategies from the COVID-19 pandemic, as part of the European Social Economy Action Plan provisions, the European Commission could call for the adoption of similar plans

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in Africa. Such plans would reinforce social economy organisations on the continent as well as contribute to making their impact sustainable. More particularly, such plans should look into the opportunity to strengthen or adopt laws governing social economy and mutuals; establish and implement mechanisms for the scale-up of such organisations, in the case of mutuals, compulsory membership of health coverage for the entire population, the delegation of the management and organisation of universal health coverage to mutuals. Lastly, skilling and access to financing for social economy organisation is a critical element for a sustainable social economy ecosystem.

AIM African members’ demands for the development of mutuals are available here (short version in French) or here (long version, in English).

AIM African members’ Declaration on the COVID-19 pandemic is available here.

b) Latin America: EU should make use of the agreements it has with the region

The COVID-19 pandemic has had a tremendous impact on individuals, communities, economies, and healthcare and social security systems of the Latin American region. The long-lasting consequences are expected to be unprecedented, and the economic crisis lurks populations, especially the most vulnerable. The breadth of the social catastrophe which lies ahead will require local, national, regional and international actors to join forces in both the recovery and preparedness processes.

The pandemic has hit the most vulnerable stronger and laid bare inequities which were already present before the crisis. Social Economy actors like mutuals have the capacity to tackle inequities by ensuring access to essential services and social protection for all, and by tackling poverty at its root. Social economy actors of the region will require the support of national governments as well as regional and international actors towards the achievement of the Sustainable Development Goals (SDGs). Indeed, supporting and collaborating with organisations like mutuals in that endeavor will be essential in order to cover the needs of communities and to thus ensure an inclusive recovery.

The Sustainable Development Goals call for action in global partnership. On top of that, the pandemic has highlighted the global dimension of health, stressing at the same time the importance of cross-border collaboration. Cooperation across nations and regions is necessary to tackle the social and healthcare crisis which the world is undergoing. So far, the relationship between Latin America and the European Union (EU) has often been relegated to a “second place”5, focusing mostly on trade and based on bilateral agreements. Yet, collaboration between both regions is key in tackling health, social and environmental 21st century challenges. As Josep Borrell stated: “Supporting the region to make a green, digital, sustainable and inclusive recovery is also in our mutual interest”6.

First, the EU can make use of the many agreements it has with the region. Indeed, it has negotiated association, trade or political and cooperation agreements with 27 of the 33 countries7 and is currently still in negotiations for the EU-Mercosur agreement. Those bilateral and regional agreements do not limit themselves to trade. They are a clear opportunity to defend human rights and democracy in the region, and to promote social cohesion. In that vein, they should also seek to strengthen civil society and social economy voices of the region. Second, the EU is also the region’s principal development partner and a main provider of humanitarian assistance. Mutuals and other social economy actors should be considered as essential partners in the provision of that aid and in EU’s regional programmes.

The objectives of environmental sustainability and climate change mitigation, inclusive and sustainable growth for human development, higher education, good governance, accountability and social equity,

5 EP Resolution on the political relations between the EU and Latin America, 2017
6 https://eeas.europa.eu/headquarters/headquarters-homepage_en/87216/Latin%20America-Europe:%20the%20%E2%80%98other%E2%80%99%20transatlantic%20relationship
7 Idem
which those programmes pursue (to cite but a few) are key priorities enshrined in the DNA of social economy organisations. As such, mutual support between the EU and those organisations in the development of the above-mentioned programmes is a win-win.