

Statement

15 September 2005



Statement on how Tapiola Group has succeeded in implementing mutuality.

Having freely and independently examined Tapiola's operations on the basis of written material and interviews, we state the following on the various components of mutuality:

Component 1:

Owner-customers and their representatives decide who runs Tapiola and in which direction it is taken

In the administrative model of mutual insurance companies used by Tapiola, the owner-customer is theoretically and technically entitled to participate in annual general meetings, and thereby influence the election of supervisory board members. In practice, however, owner-customers have not actively participated in annual general meetings. The composition of the supervisory boards corresponds rather well to the customer distribution, but geographically speaking, most of the members come from the Helsinki Metropolitan Area. It would be advisable to look into alternative ways of increasing the ordinary owner-customer's power when the administrative model is developed. We recommend that annual general meetings be advertised more actively and that people could participate in them via technological means. Advisory committee members should be encouraged to participate in annual general meetings more often, but we did not consider it necessary for them to move into the representative body.

Component 2:

Advisory committees act as regional and industry-specific channels of interaction between Tapiola and its customers

The advisory committees' operations as regional and industry-specific channels of interaction are systematic and well-planned, although there are regional differences. The composition of the advisory committees is rather close to the customer distribution. The advisory committees' know-how and social connections could be further exploited by, for example, having the regional manager and the advisory committees' presiding officers cooperate in preparing proposals for new mem-

ber candidates. We recommend that the visibility of advisory committee members be improved to strengthen the interaction between Tapiola and its customers.

Component 3:

Owner-customers have the right to profit from the company's success

In practice, the owner-customer's right to profit from the company's success takes the form of bonuses and other benefits on the basis of concentration, customer loyalty and carefulness, to mention a few. Care models bring additional benefits to the various customer segments, and cooperation with the S Group enables additional bonuses. The mutuality principle is already fairly well realised by the benefits received by owner-customers. We recommend that the bonus and rebate system be developed further in a more concrete direction. Annual bonuses should be competitive as well as reasonable, so that a sufficient proportion of the company's earnings continues to be used to develop the company's operations and services and maintain its solvency.

Component 4:

As a mutual company, Tapiola increases competition

In a market economy, competition is a way to direct resources. Tapiola has managed to increase its market share even though public comparisons have shown that the prices of its products are not the lowest across all categories. In our view, this means that Tapiola's customer-owners consider prices to be less important than the values represented by the company, the most significant of which are closeness, mutuality, service level as well as the reputation and solvency of the company. Regional availability and consistency are of key importance in the ever-tightening competition. Mutuality forces the company to operate cost-effectively and pay attention to solvency, as it has only limited ways to acquire capital.

Component 5:

The development of products and services is guided by customer needs

Mutuality requires that customers are the primary source of product development. Tapiola's product development is based on regular market surveys and

customer feedback, but competitors and the finance industry are also monitored. The product development process is reviewed annually in connection with quality assessment. Customers' wishes have been fulfilled when developing the banking business and compensation services, for example. Ideas and problems brought up in customer service situations should continue to be recorded and analysed systematically, so that the service chain can be further improved. We recommend that advisory committee members be used more to identify customer needs and test product ideas.

Component 6:

The personnel is committed to Tapiola's values, the most important of which is "customer benefits", based on the principles of mutuality

A personnel committed to company values acts in accordance with those values. In a customer service situation, the owner-customer can perceive whether the customer service person is committed to the company values, such as customer benefits that are in line with the basic principle of mutuality. Staff retention tools include a performance-based pay scheme and a personnel fund, designed to promote mutuality and excellent services with regard to both quantity and quality. Our view is that the principles of mutuality have been successfully incorporated into the personnel policy. The latest employee opinion survey revealed a slight decline in the commitment to the values, apparently caused by the employees' experience that there has been a significant change in the way in which the company operates. We recommend that this decline be analysed carefully to prevent the level of commitment from decreasing.

Component 7:

Tapiola is committed to stable and longterm operations

In a mutual company, there are no goals for the development of shareholder value set by outside investors, which enables stable and long-term operations. After studying the strategic goals and the management's ideas, we came to the conclusion that Tapiola is being developed in accordance with the customer-owners' needs as a socially responsible company that

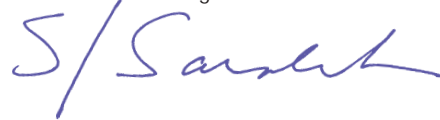
is close to people. Tapiola recognises partnership and social responsibility even in bad times. Furthermore, its long-term operations and extensive services result in a customer base that is committed and bears its own responsibility, which also decreases the company's expenses. We consider Tapiola's image to be stable and appropriate. We do feel, however, that the management should be more visible with regard to socially significant issues. We also recommend that environmental aspects be more strongly addressed in the Social Responsibility Report.

Espoo, 15 September 2005



Ulla-Maija Moisio

Chairperson of the Mutuality Committee
Southwest Finland regional advisory
Examining committees




Sampsa Saralehto

Helsinki Metropolitan Area regional advisory
committees



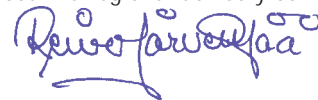
Risto Palokangas

Central Finland regional advisory committees



Marja Malmstedt

Ostrobothnia regional advisory committees



Reivo Järvenpää

Southeast Finland regional advisory committees



Jorma Turunen

Eastern Finland regional advisory committees



Matti Träskelin

Northern Finland regional advisory committees