Mutual Insurance Software: Built for Member-Owned Insurers

Why Legacy Holds Mutuals Back and What Their Systems Must Do

- ✓ Written for Member-Owned Insurers
- ✓ Must-Have Capabilities for Mutuals
- ✓ Backed by 2025 and 2026 Research

A mini-ebook by Openkoda

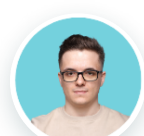
Contents

WHO THIS EBOOK IS FOR

CEOs, COOs, CIOs and board members of mutual insurers, from county and farm mutuals to regional and national groups, and the associations, pools and reinsurers that work with them.

What you will take away: a clear picture of how mutuals work and where they operate, why legacy software weighs so heavily on them, the capabilities a system built for a mutual really needs, and how to modernize without putting members' surplus at risk.

Authors



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CHAPTER 1

Owned by the People They Protect

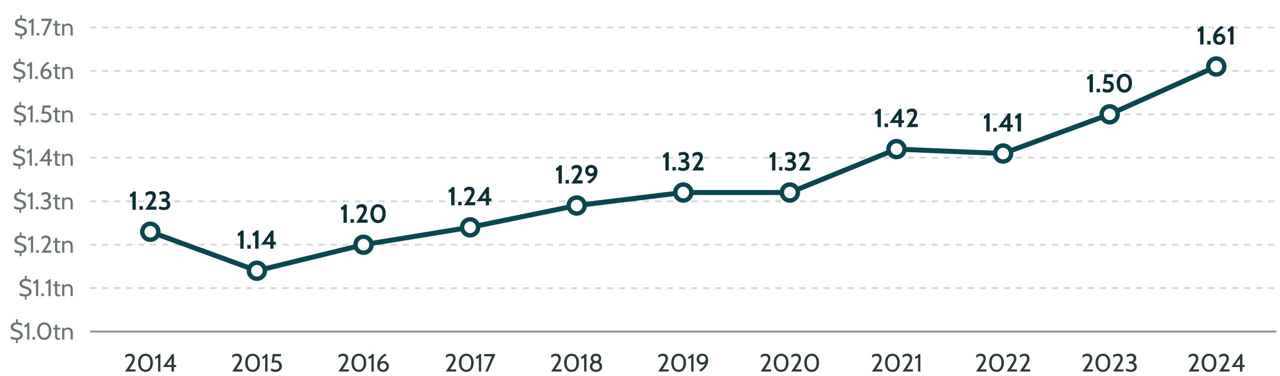
Mutual insurance is one of the oldest ideas in the industry and still one of its largest. A mutual has no shareholders. It belongs to the people it insures, and whatever it earns stays with them: in lower premiums, in dividends, or in the surplus that protects them when the next storm comes.

That model now accounts for more than a quarter of the world's insurance. According to ICMIF's 2026 Global Mutual Market Share report, mutual and cooperative insurers wrote a record **$1.61 trillion in premiums in 2024**, 26.1% of the global market, and served 856 million members and policyholders. Their premiums grew 7.2% that year, slightly faster than the market as a whole, and in the difficult year of 2022 they fell far less than their competitors.

FIGURE 1

Global mutual and cooperative insurance premiums, 2014 to 2024

USD trillions



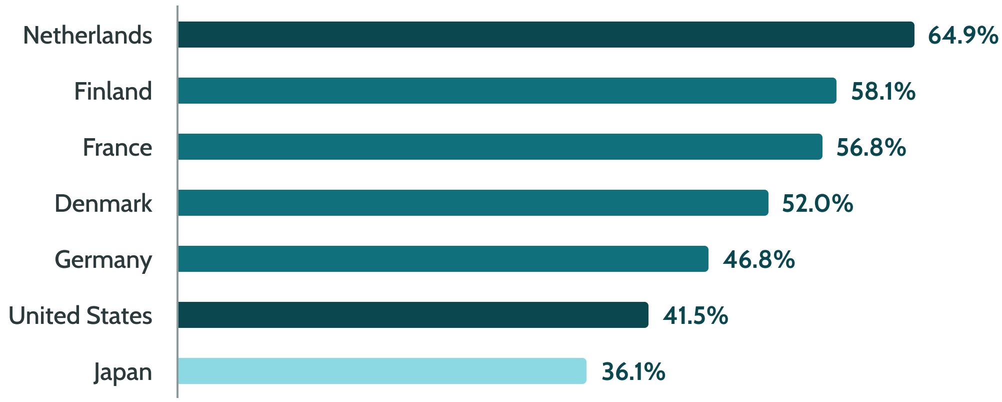
Source: ICMIF, Global Mutual Market Share 2026

In some countries mutuals are the market. They write 64.9% of all insurance in the Netherlands, 58.1% in Finland and 56.8% in France, and close to half in Germany. The United States is home to more mutual insurers than any other country, 1,702 by ICMIF's count, and mutuals hold 41.5% of its market.

FIGURE 2

Mutual share of the insurance market in selected countries, 2024

Share of total premiums written by mutual and cooperative insurers



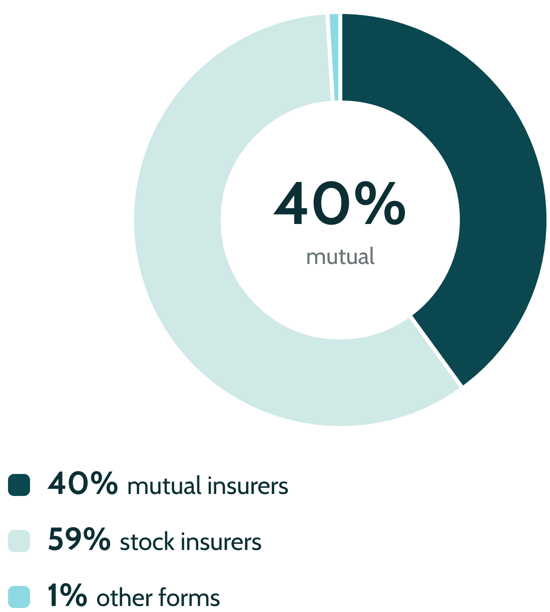
Source: ICMIF, Global Mutual Market Share 2026 (France includes complementary health)

In US property and casualty insurance, mutuals wrote about **40% of direct premium in 2024**, some $418 billion, and hold a majority of the market in twelve states. Members of NAMIC, the National Association of Mutual Insurance Companies, write 61% of the country's homeowners insurance and 48% of its auto insurance. The sector ranges from household names such as State Farm, Liberty Mutual, Nationwide and Erie to hundreds of county and farm mutuals that insure a few thousand neighbors each.

FIGURE 3

Who writes US property and casualty insurance

Share of direct written premium, 2024



Source: NAMIC and Aon, The Mutual Factor 2025, based on S&P data

It is also in good financial shape. AM Best reports that US mutual P&C insurers doubled their net income to $42.6 billion in 2025 and grew policyholder surplus by 15.8% to $468.1 billion.

Yet many mutuals, and especially the smaller ones, run their business on systems that were chosen decades ago and are increasingly hard to change. This ebook explains how mutuals work and where they operate, why legacy software weighs on them more heavily than on most insurers, what a system built for a mutual really needs to do, and how to modernize without putting the members' surplus at risk.

CHAPTER 2

How Mutuals Work, and What Sets Them Apart

On the surface, a mutual sells the same policies as any other insurer. Underneath, almost every business decision is shaped by one fact: the customers are also the owners.

THE MUTUAL MODEL

Five things that make a mutual different

1 Member-owned

Policyholders own the company. There are no outside shareholders to pay.

2 Surplus, not profit

Earnings build the surplus that protects members; capital can't simply be raised.

3 Returns to members

Good years can mean dividends or lower premiums for policyholders.

4 Member governance

Boards answer to members, often elected at an annual meeting.

5 A long horizon

The median US mutual is about 120 years old, and plans like it.

Ownership and capital

Because a mutual has no shareholders, it cannot issue stock when it needs capital. Its financial strength comes from **policyholder surplus**, built up over decades from underwriting results and investment income. That makes mutuals conservative by design: they tend to hold more capital relative to the business they write, invest more cautiously and think carefully before spending surplus on anything that doesn't directly protect members. AM Best rates 86% of mutuals A- or better, and 88% are judged to have a strongest or very strong balance sheet, against 80% of stock companies.

Members first, sometimes at the expense of margin

The difference shows up clearly in the numbers. In 2024, US mutuals ran a combined ratio of 101.0 against 93.6 for stock insurers, and NAMIC attributes much of the gap to mutuals deliberately tempering rate increases for their members. They paid policyholder dividends worth 0.9% of premium, against 0.1% for stock companies, and spent less on commissions. Their return on equity is far lower, because returning value to shareholders is not the point.

TABLE 1

Mutual and stock P&C insurers compared, 2024

Measure	Mutual insurers	Stock insurers	What it shows
Combined ratio	101.0	93.6	Rates tempered for members
Loss and LAE ratio	75.5	67.9	More of each premium dollar paid back in claims
Policyholder dividends (% of premium)	0.9	0.1	Value returned to members
Commission ratio	9.1	11.8	Leaner distribution costs
Surplus growth	9.7%	5.9%	Capital built from within
Return on equity	6.2%	22.4%	Profit is not the objective

Source: NAMIC and Aon, The Mutual Factor 2025, based on S&P data

Trust as a competitive advantage

Members notice. In NAMIC's 2025 survey of commercial insurance buyers, favorable views of mutual insurers rose from 64% to 81% since 2019. In J.D. Power's 2026 auto insurance study, most regional winners were mutuals, reciprocals or member-affiliated insurers, and Amica, a mutual, ranked highest for service in the 2026 digital experience study. Mutuals tend to keep their customers for a long time, and they compete on service and relationships rather than on price alone.

All of this has direct consequences for software. A mutual needs to know its members, not just its policies. It has to account for surplus, dividends and reinsurance with unusual care, report to a member-elected board, and justify every technology dollar as money that belongs to its policyholders.

CHAPTER 3

Where Mutuals Operate

Mutual insurance began with neighbors pooling risk that no one else would cover, and much of the sector still lives where it started: in farm country, in small towns and in professions that decided to insure themselves.

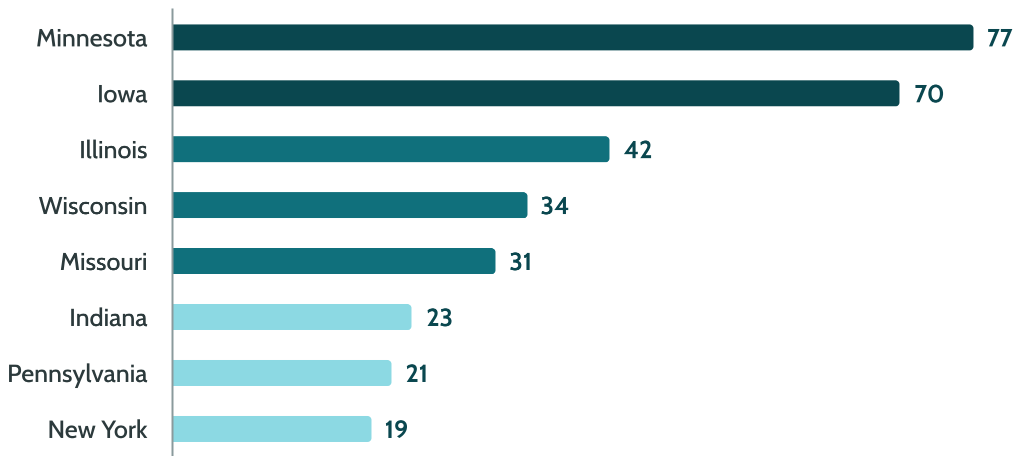
Rural and agricultural America

In the 19th century, farmers who couldn't get affordable fire cover from city insurers formed their own. About 1,100 county farm mutuals were founded between 1870 and 1900, and by 1925 there were around 2,000. Many survive today as county, town or township mutuals concentrated in the Midwest. NAMIC counts 77 county mutuals in Minnesota, 70 in Iowa and dozens more across Illinois, Wisconsin, Missouri and beyond. In Iowa, county mutuals hold 37.2% of the rural market they serve.

FIGURE 4

Where county mutuals are concentrated

Number of county mutual insurers by state, 2023 (top eight states)



Source: NAMIC, Small Mutual Insurance Companies, 2024

These are small, local businesses by any standard. The average county mutual writes about **$3.3 million in premium**, with a median closer to $1.9 million, roughly 1% of the size of the average US property and casualty insurer. They insure farmhouses, barns, outbuildings, machinery and livestock, and the rural homes around them, usually through local independent agents who know their customers personally.

The farm market they serve is changing too. The USDA's 2022 Census of Agriculture counted 1.9 million US farms, 7% fewer than in 2017 and the first time below two million since before the Civil War, while the average farm grew to 463 acres. Farmowners insurance has become one of the hardest lines to write: Triple-I reports a combined ratio of 100.7 in 2024, the third underwriting loss in a row, and notes that farmowners losses exceed homeowners losses every storm season.

Regional and national mutuals

Above the county level sit state and regional mutuals that write personal and commercial lines across several states, and farm bureau mutuals that serve agricultural communities at scale. At the top are the national groups. Nine of the 25 largest US property and casualty groups are mutuals or reciprocals, and together they write about a quarter of the country's premium, according to NAIC data.

Professions that insure themselves

Mutuals are also strong in specialty niches where members share a profession. In medical professional liability, a $13.4 billion line, physician- and hospital-owned insurers such as The Doctors Company, MAG Mutual, Coverys, Curi and CRICO are among the largest writers. Lawyers, churches, schools and public entities have built similar member-owned carriers and risk pools.

Beyond the United States

In Europe, mutuals hold about a third of the market, with deep roots in France, Germany, the Netherlands and the Nordic countries. France alone has 249 mutuelles providing health cover. In the UK, members of the Association of Financial Mutuals hold 8.5 million policies. In Japan, kyosai cooperatives serve 77.9 million members. The details differ from country to country, but the pattern is the same: member-owned insurers, rooted in a community or a profession, with long memories and careful balance sheets.

CHAPTER 4

Why Legacy Weighs Heaviest on Mutuals

Many mutuals have been insuring their communities for longer than anyone working there has been alive. NAMIC puts the median age of a US mutual at about 120 years. That longevity is a mark of strength, but it has a cost: over decades, systems, products and workarounds pile up, and in many mutuals the software that runs the business carries almost as much history as the company itself. Every insurer struggles with legacy systems. Mutuals, and small mutuals in particular, struggle more, because the same features that make the model strong also make modernization harder to fund and harder to start.

Scale works against them

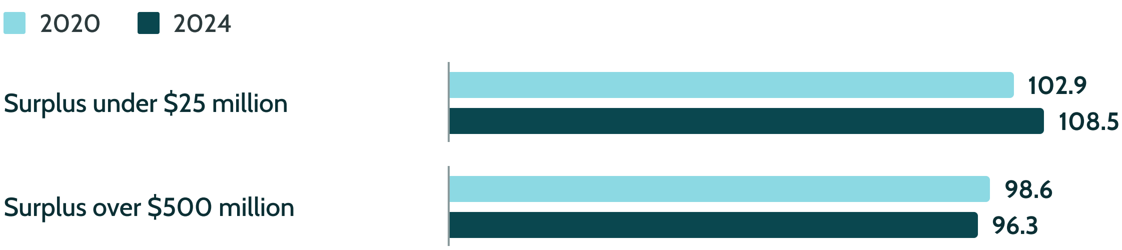
A policy administration system costs roughly the same to run whether it serves a million policies or ten thousand. For a mutual writing a few million dollars in premium, that fixed cost is enormous. NAMIC's 2024 study of small mutuals found that **expense ratios only fall below 40% once direct premium passes about $15 million**, and that employing even one specialist each in underwriting, claims, ratemaking, finance and IT could easily push a county mutual past a 50% expense ratio. Many of the smallest companies have one or two employees doing everything.

The gap between small and large insurers is growing. In NAMIC and Aon's analysis, the combined ratio of the smallest P&C companies, those with less than $25 million in surplus, rose from 102.9 in 2020 to 108.5 in 2024, while the largest improved from 98.6 to 96.3.

FIGURE 5

Small P&C insurers are falling behind

Combined ratio by company size (policyholder surplus)



Source: NAMIC and Aon, The Mutual Factor 2025, based on S&P data

Technology is paid for with members' money

A stock insurer can raise capital for a transformation program. A mutual has to fund it from surplus, the same surplus that stands behind members' claims, so boards are understandably cautious. Across the industry, West Monroe found that 54% of insurers already spend more than half of their IT budget maintaining existing systems. For a small mutual, that leaves little room to invest.

The cost of modernizing can be high enough to change strategy. In its 2025 annual report, Donegal Group explained that it was exiting a farm book of about $6 million because the **"costs required to modernize the legacy farm product and systems were higher than the projected return on investment,"** and passed the business to a Pennsylvania farm mutual. Donegal's own multi-year systems modernization added about 1.2 points to its expense ratio in 2025.

Storms, reinsurance and consolidation

At the same time, weather has hit mutuals' home markets hard. Severe convective storms have caused more than $50 billion in insured losses for three years in a row, with hail driving up to 80% of the claims, and the Midwest and South, where many mutuals operate, saw the weakest results in 2022 and 2023. US mutuals ran a combined ratio of 110.4 in 2023 before recovering to 95.2 in 2025, according to AM Best. Small mutuals depend heavily on reinsurance, ceding 31.6% of their premium against 12.7% for peers, and the 2023 failure of Wisconsin Re removed about a fifth of their reinsurance capacity at a stroke.

One response has been consolidation. The number of county mutuals fell by at least 169 between 2021 and 2024, mostly through mergers, and NAMIC encourages affiliation and pooling arrangements that share finance, compliance and actuarial work while keeping underwriting and claims local. Every merger or pool raises the same question: how do several companies, each with its own history and systems, work together on one platform?

Members expect more

Meanwhile, members' expectations have moved on. J.D. Power found that 48% of new auto policies were bought through digital channels in 2026, up from 36% in 2021, and that 87% of Gen Z and Millennial customers are comfortable handling a claim digitally. Even commercial buyers care: in NAMIC's survey, the share who say employing the latest technology matters when choosing an insurer rose from 53% to 66%, the biggest increase of any attribute.

FIGURE 6

What commercial insurance buyers value

Share of US commercial insurance buyers

Source: NAMIC and Aon, The Mutual Factor 2025, commercial buyer survey

Security is the final pressure. Small companies are attractive targets, and a mutual is not exempt: in January 2026, Rhode Island's Beacon Mutual suffered a ransomware attack that led it to notify about 162,000 people. The NAIC Insurance Data Security Model Law had been adopted by 28 jurisdictions by August 2025, and in the EU, the Digital Operational Resilience Act has applied since January 2025. Older systems make both harder to meet.

WHAT THIS MEANS FOR MUTUALS

The risk for a mutual is not that modernization costs money. It is that standing still costs members more every year, in expense ratios, in lost business and in exposure, while the gap to larger competitors keeps widening.

CHAPTER 5

What Mutual Software Must Do Differently, and Where Openkoda Fits

Most policy administration systems are designed around the needs of large stock carriers. A mutual needs everything they do, plus a set of capabilities that reflect member ownership, local markets and a small team. Some of these are simple to describe; others deserve a closer look.

Know the member, not just the policy

A mutual's policyholders are its owners, and that changes what the system needs to know about them. Most policy systems are organized around the policy: a house, a car, a farm, each with its own number and history. A mutual also needs a **member record** that brings together everything one household or business has with the company: every policy, claim, payment, dividend and message, and the details that come with membership, such as when the member joined, whether they are eligible to vote and how they are notified of the annual meeting.

Consider a farm family that insures its farmhouse, two barns, its machinery and two vehicles with the same county mutual. On many legacy systems that is five separate records, possibly in two different systems. When the family calls after a storm, the person answering the phone should see all of it on one screen, and when the board asks how many members hold more than one policy, the answer should be a report, not a project.

Account for surplus and returns to members

Policyholder dividends, premium credits and other returns of surplus have to be calculated by clear rules, approved by the board and traced back to the policies that earned them. Where a mutual still issues assessable policies, the system should record and administer assessments the same way.

Rate rural and farm risks properly

Farm and rural products are where generic systems most often fall short. A standard homeowners product assumes one dwelling at one address with one set of coverages. A farm policy may schedule a house, several barns and outbuildings of different ages and construction, grain bins, irrigation equipment, machinery and livestock, each with its own coverage, limit and deductible, and some of it moving between locations during the year.

Rating depends on details a city insurer rarely asks about. Fire protection class and the distance to the nearest fire station or hydrant can decide whether a building counts as protected at all. Wind and hail exposure often calls for percentage deductibles, such as 1% of the building limit. The product model and rating tables have to carry that level of detail, and an underwriter should be able to add a new outbuilding type or change a hail deductible without asking for custom code.

Handle reinsurance and pools as everyday business

A small mutual that cedes a third of its premium lives with its reinsurer every day. The system should know which treaties apply to which policies, calculate ceded premium and expected recoveries as business is written, and track aggregate exposure against treaty limits in the areas where one storm could hit many members at once.

A typical arrangement might be a quota share with a state mutual reinsurer, with an excess-of-loss layer on top, and a monthly bordereau of premium and claims due by a fixed date. If that report is built by hand from spreadsheets each month, it takes days of a small team's time and invites errors. Generated from live policy and claims data, it takes minutes, and the reinsurer sees the same numbers as the mutual.

Support several companies on one platform

Affiliations, pools and mergers are now a normal part of mutual life, and they create a specific software problem. Imagine three county mutuals that agree to share finance, reinsurance and IT while each keeps its own name, board, agents and local underwriting. They need one system that runs **three companies side by side**: separate products, rates, branding and financial reporting for each, data that stays properly isolated between them, and group-level reporting for the shared back office. Without that, affiliation often means one company's book is rekeyed into another's system, which is exactly the kind of project small mutuals want to avoid.

Work with local agents

Most mutuals sell through independent agents in their communities. They need a simple agent portal for quoting and servicing, commissions calculated and paid automatically, and agency reporting, without asking agents to re-key information into yet another system.

Scale up when the storm hits

A single hailstorm can bring a small mutual more claims in a week than it usually sees in a year. The claims process should let members report a loss online or by phone in minutes, triage and assign claims automatically, give independent adjusters access to the claims they are handling, and keep members updated without anyone having to find time to call them back.

Be affordable, secure and easy to run

The system has to fit the size of a mutual. Pricing tied to premium or seats grows faster than a small company can afford. Security, audit trails and access controls need to be built in, because there is no separate security team to add them. And the business should be able to change products, rates and forms itself.

TABLE 2

Must-have capabilities for a mutual insurer

Capability	Why it matters for mutuals
Member records	Policyholders are owners; governance and service depend on one view of each member
Dividends and assessments	Returns of surplus must be calculated, approved and traced consistently
Farm and rural rating	Protection class, outbuildings, equipment, livestock and hail exposure
Reinsurance and pools	Small mutuals cede around a third of premium and report to reinsurers
Multi-company operation	Affiliations, pools and mergers need several companies on one system
Agent portal and commissions	Local independent agents are the main channel
Catastrophe claims surge	One storm can bring a year's worth of claims in a week
Predictable cost and built-in security	Technology is paid for from members' surplus by a small team

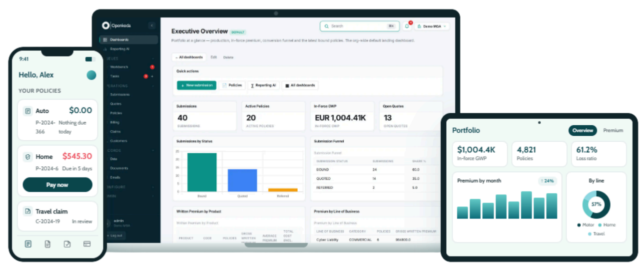
A system that can be shaped around the mutual

Few systems on the market were designed with this list in mind. Large suites are built for large stock carriers and priced accordingly, while many small-carrier packages are rigid about products and closed to integration. What a mutual needs is a system flexible enough to take on its members, farm products, reinsurers and affiliates, and affordable enough to run for decades. That is what Openkoda was built to be.

Openkoda is a **highly customizable policy administration system** that covers the full lifecycle, from product setup and rating to policies, claims, billing, documents and reporting, and adapts to the way a mutual already works instead of forcing it into someone else's template. It also fits the way mutuals think about ownership: the code, the data and the choice of where the system runs stay with the insurer, whether in Openkoda's managed cloud, a private cloud or on premises. Pricing is a **flat annual rate, with no per-seat fees and no percentage of premium**, so the cost of the platform doesn't rise as the book grows.

Key features for mutual insurers

- **A data model that fits the mutual.** Risk types, attributes and coverages are configured on each product, so a farm policy with scheduled buildings, machinery and livestock is as natural as a homeowners policy. Member records and mutual-specific data, such as membership details or dividend eligibility, can be modeled the same way.

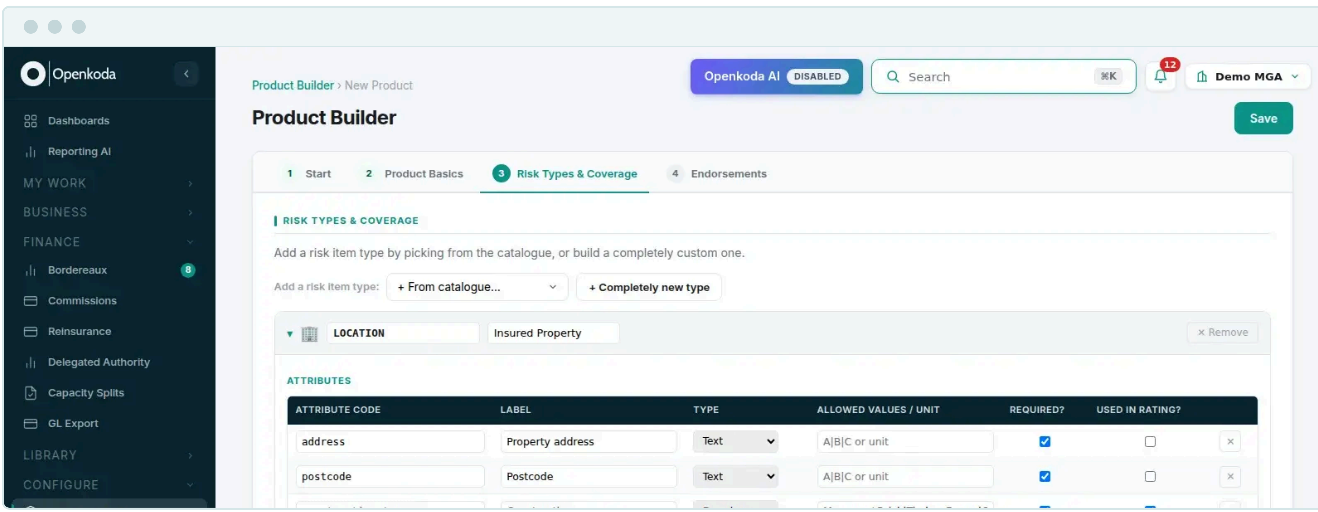


One connected system. Staff, agents and members work from the same policy data, on desktop, tablet or phone.

- **Rating Engine.** Rating tables an underwriter can read and edit, for example by protection class, construction and distance to a fire station, with a test panel that prices a real risk before any change is saved. Every rate change is versioned.
- **Underwriting rules and Underwriter Workbench.** Referral, decline and auto-approval rules per product, and a workbench where referred cases arrive with the reason attached and the full rating breakdown visible.
- **Policy administration and Policy 360.** Quote, bind, endorse, renew and cancel, with one page for each policy showing coverages, instalments, claims, documents and every message sent to the member.
- **Claims processing.** FNOL through settlement, with workflows as simple or as automated as each product needs, including AI-assisted triage for storm surges, all on the same record as the policy.
- **Several companies on one installation.** Affiliated mutuals, pools or merged companies can each run as a separate organization with their own people, products, branding and data, genuinely

isolated from one another.

- **Bordereaux and reporting.** Premium and claims bordereaux generated on each partner's schedule with a submit, accept and dispute lifecycle, plus dashboards and Reporting AI that answers questions in plain English without data leaving the company.
- **Forms, portals and integrations.** Quote and claim forms that embed into any agent or member website, and an automatically updated REST API for connecting reinsurers, payment providers, accounting and data services.
- **Security and control built in.** Roles down to the record and field, and a full audit trail written automatically for every change, which helps a small team meet data security rules without extra tools.



Products shaped around the risk. Risk types, attributes and allowed values are configured on the product, and each field can feed rating, forms and the API.

Delivered with a team that knows insurance

Small mutuals rarely have developers to spare. Openkoda's own implementation team works with the insurer to configure the system around its products, rules and processes, typically taking a tailored PAS from kickoff to live in **about three weeks**. After go-live, product owners can change rates, forms and rules themselves, and because Openkoda is built on a standard technology stack (Java, Spring Boot and PostgreSQL), any enterprise developer can extend it if the mutual ever needs to.

> Openkoda was born from a simple idea: insurers should be able to launch and evolve digital products fast, on their own terms, without vendor lock-in.
>
> Michał Głomba, CRO & Co-Founder, Openkoda

CONCLUSION

Mutuals Don't Need to Fear Modernization

Caution is part of what makes a mutual strong. It protects the surplus, the members and a history that often goes back more than a century. But caution is not the same as standing still, and the numbers in this ebook show that standing still is becoming the riskier choice: higher expense ratios, a widening gap to larger competitors, members who expect digital service, and systems that grow harder to secure every year.

Modernization no longer has to mean a multi-year program that bets the surplus on a single cutover. A mutual can start with one product or one line of business on a modern system, run it beside the old one, and move the rest across at renewal when it is ready. Affiliated mutuals can share one platform and still keep their own identity. And with flat, predictable pricing, the cost of the platform stays in proportion to the size of the company.

Mutuals were founded by people who solved their own insurance problems when no one else would. Choosing a modern, adaptable system they own is the same idea applied to technology, and it is the surest way to keep serving members well for the next hundred years.

Openkoda

TAKE THE NEXT STEP

Launch your next insurance product in weeks, not years.

Book a personalized demo with Openkoda's implementation team. We'll walk through your own products, rating and underwriting rules, and show you what it takes to run them on a policy administration system you fully own.

- ✓ Live in about three weeks
- ✓ Flat annual rate
- ✓ Your code, your data

openkoda.com/demo

About Openkoda. Openkoda is a highly customizable policy administration system for insurers, MGAs and insurtechs, covering the full lifecycle from quote to claim. It is configured around your products and handed over as yours: your code, your data and your choice of cloud or on-premises hosting, delivered with Openkoda's own implementation team on a flat annual rate.

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