Additional Notes On MPI Offering Property Insurance

By Councillor Eadie

The main problem our communities face with property insurance is most of the large underwriters are making their profits on the investment markets including the re-insurance market while avoiding taking on the risk in struggling neighbourhoods unless they charge high rates across smaller pools of risk.

Why should the Mayor on behalf of the City Of Winnipeg send a letter with this recommendation?

1. City government and services are the closest to the people who have been complaining about the inability to obtain and afford the high cost of property insurance.
2. Underwriters' associations want the city to manage the risk for the Winnipeg Fire and Paramedic Service as demonstrated in city commissioned reports.
3. The city is a stakeholder in the economic success of businesses of all sizes where ever it exists.
4. The City of Winnipeg has a number of initiatives that are trying to support affordable housing offered by both private for profit and private not for profit operations.
5. Many people can't afford the cost of insurance resulting in issues the city must deal with under neighbourhood livability laws, vacant and derelict building laws, and vacant properties nobody wants to develop and collects garbage that gets set on fire.

Why is MPI's motor vehicle insurance so successful?

MPI's Autopack is successful because it focuses on Manitoba vehicle related losses by spreading the losses over all insured motor vehicles in various pools plus the cost of administrating the insurance program – no re-insurance taking on risk and losses from elsewhere. And yes no profit margin being paid by Manitoba insured vehicles. Insurance rates are subject to the Public Utilities Board review, and when there is a good year, it is now the practice to give back the surplus revenue to the customer.

Was MPI's "general insurance" really a failure?

In response to this motion, an MPI representative has described MPI's "general insurance" offerings in the 1980's a failure without any details of why it failed. There are three reasons for the failure:

1. A conflict of interest occurred that caused the public's confidence to wain in MPI's ability to deliver public insurance;
2. Believing the international re-insurance market was a better way to earn a lot of money, MPI took too much risk and lost a lot of money in the re-insurance market; and
3. A new manager of the general insurance section without the proper skill caused a number of internal problems with MPI's "general insurance" operations.

How could public property insurance work under MPI?

Being in the insurance business, I am sure MPI can bring the experts in to measure the risk in various property pools to determine what the insurance rates would be for Winnipeg's properties and calculate how many employees and brokers it would take to administrate the program. But generally I would recommend the following measures to avoid the problems with the private for profit underwriters and failure of the past:

1. Establish a monopoly in underwriting property insurance in postal code areas like R2L, R2W, R2X R3E where ever it is difficult to find underwriters at an affordable price for residential, multifamily and business/commercial properties.
2. Compete with the private sector elsewhere in the city and province to help bring prices down while maintaining an affordable price for all.
3. Stay out of the investment and re-insurance markets in order to avoid passing losses onto the properties that are insured by MPI.