



## **Will Our Insurance Premiums Be Going Up? April 2, 2009**

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Manager, Insurance & Liability Resource Centre for Nonprofits**

Nonprofits and charities need insurance. We do not sell insurance, but we are here to serve as a resource for your organization and to help you ask insurance professionals the right questions as you navigate the insurance world. You'll find more information about these topics on our website under "Insurance SmartTips."

### **The current insurance marketplace**

Insurance companies in Canada are generally, like many other businesses, feeling the impact of the current economic climate. The 2008 results, released in the past few weeks, reveal that over half of Canadian insurers that sell the type of insurance nonprofits need have lost money in the past year in terms of premium vs. claims and expenses (underwriting results). They, like most businesses, are also losing money on their investments.

In the past, insurers have often lost money in underwriting, but their investment gains would make them profitable. That is now out the window and no one seems to know when investments will be strong again, which increases pressure to improve underwriting results.

### **Should you expect your insurance premiums to go up on renewal?**

The quick answer in the short term: CGL and Property premiums are seeing small increases in the range of 5%, while D&O premiums are generally not going up at all.

I've asked insurance underwriters, brokers, agents and executives this question again this week. There are differences of opinion during these turbulent times, but below is a summary of their comments.

1. Commercial General Liability (CGL) policies and property coverage (building, contents) are generally facing renewal increases in the 5% range. Some of my contacts do expect further increases in the third and fourth quarters of 2009 and into 2010. So if your renewal is coming up later this year for these types of policies, you may want to budget for a larger increase (e.g., 10%), but talk to your broker/agent first, of course.
2. New clients are generally getting better rates than clients that renew. This is simply because we are still, amazingly, in a competitive environment, and insurers are trying to entice "new business." That is good news for those getting new quotes, but it may not last for long.
3. Directors and Officers (D&O) and Professional Liability policies are still very competitive as it does not look as if rates will be going up in near future. Canadian losses have not mirrored the U.S. here. However, with the increasing cost of co-insurance (insurance for insurance companies), D&O and E&O (errors and omissions coverage) rates are likely to go up next year.



4. Insurance companies with poor results will be looking to increase premiums. So we will likely be seeing larger rate increases in the future as well as some policies being cancelled if the organization has, for example, a poor claims history. Talk to your broker/agent about your insurer's results, or email our Centre's manager David Hartley at [dhartley@imaginecanada.ca](mailto:dhartley@imaginecanada.ca) to find out your specific insurer's comparative 2008 results, which you can then discuss with your broker/agent.
5. In general, insurance companies are being hurt by Ontario personal auto insurance losses. This often leads them to increase premiums on insurance coverages typically purchased by nonprofits (e.g., CGL, D&O).
6. One side note: The Co-Operators' "CommunityGuard" program, which was created for nonprofits, has an interesting policy. Paul Byron, who is in charge of this program, says, "We endeavour to not increase rates by more than 5% per year and, in cases where we must (for adverse claims history for example), we give these clients a minimum of 12 months' notice to budget for necessary adjustments." Nonprofits need this kind of special attention and we are happy that The Co-Operators has introduced this concept to the marketplace.

For more information on insurance please have a look at the "Insurance" section of our website.

**Selected quotes from three insurance professionals:**

I have thanked everyone personally who responded to me in the past few days, however, I have decided to quote three of the insurance professionals below.

1. "The Insurance companies' reaction to the hardening market depends on their loss ratios and how well they are managed. Companies with really poor results can't afford to wait and are increasing premiums and in some cases getting off risk (cancelling policies). However, these are generally companies that do not make their living from nonprofits, but they are still valuable options for brokers.

The best-run companies are continuing to underwrite and ask for premium where they feel it is necessary. In some cases, renewals are flat; in other cases, we are seeing mild increases already. Where there are increases, it is usually justified in their claims or heightened awareness of potential claims and exposure from a related industry. We do expect to see further increases in Q3 and Q4 of 2009.

In general, the insurance companies are being killed by Ontario auto, which unfortunately affects the rest of their business. If they are losing money on a big chunk of their business, they have to let business go or charge more premium."

Kelly McKinney, MBA, Commercial Broker, McDougall Insurance,  
[kmckinney@mcdougallinsurance.com](mailto:kmckinney@mcdougallinsurance.com)

2. “There’s no crystal ball for the coming ‘hard’ market. We’ve never seen economic conditions like these before, and certain tipping points may come into play. But for now, forecasters are suggesting a moderate but prolonged rise in premium rates. I suspect that we may see average increases of 5% per year for the next three years, starting now.”

Geoffrey H. Binks, Binks Insurance Brokers Limited  
[www.binks.ca](http://www.binks.ca)

3. “Commercial property and general liability insurers have firmed renewal pricing over the last 90 days. Rates as is or slight increases. New business pricing remains lower than renewal pricing but this unevenness is only expected to last another 90 days until new business and renewal pricing is aligned. By Q3 rate increases of 5% are expected to be the norm. Some companies with poor underwriting results are taking higher increases on some lines like fleet auto in Ontario.

Professional liability insurance remains extremely competitive due to an increase in the number of markets.

Directors and Officers insurance will remain competitive – there are just too many markets chasing too few premium dollars. Loss experience in this line of business has been deteriorating, but not to the extent in the USA.”

Jim Grieve, CAIM, CRM, President and C.O.O., Sinclair-Cockburn Financial Group  
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