



State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

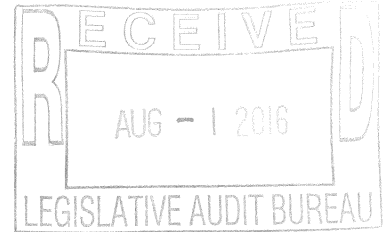
Scott Walker, Governor
Theodore K. Nickel, Commissioner

Wisconsin.gov

Local Government Property Insurance Fund
125 South Webster Street • P.O. Box 7873
Madison, Wisconsin 53707-7873
Phone: (608) 264-8118 • Fax: (608) 264-6220
E-Mail: Brynn.Bruijnhansen@wisconsin.gov
Web Address: oci.wi.gov

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The Honorable Senator Cowles
Co-Chair Joint Legislative Audit Committee
The State Senate
Room 118 South, State Capitol
Madison, WI 53707



The Honorable Representative Kerkman
Co-Chair Joint Legislative Audit Committee
The State Assembly
Room 315 North, State Capitol
Madison, WI 53708

Dear Senator Cowles and Representative Kerkman,;

I appreciate the opportunity to follow-up on the financial status of the Local Government Property Insurance Fund (LGPIF). The Legislative Audit Bureau (LAB) had proposed a follow-up report on "sufficiency of the Local Government Property Insurance Fund's minimum targeted premium-to-surplus ratio and the steps taken to address the deficit balance and reach the targeted minimum balance." This report is intended to reflect that goal and to assist the legislature in understanding the issues surrounding LGPIF.

First, thank you for allowing LGPIF additional time to gather the requested financial information and allowing us to provide the most current status of the LGPIF. There have been significant changes in LGPIF's policy count, as well as some technical issues. As you can see from the chart below, there have been significant changes in the number of risks, the insured value, and the amount of premium.

These are the most current values on the Fund:

Table with 3 columns: Year, 7/1/14, 7/1/16. Rows include: Number of Insured Entities, Total Insured Value, Premium In Force, Total Accounts Receivable, Total Outstanding Losses\*.

\* This includes unpaid losses, open reserves, and \$3.9M reserve for the Wisconsin Rapids catastrophic loss which will be recoverable from our Excess carrier

As you can see from the chart, LGPIF has continued to experience decreasing membership as entities move into the private marketplace. This change has meant a significant change in the risk that is written with LGPIF.

LGPIF has taken a number of actions intended to assist with increasing surplus. This past year the reinsurance program was placed in its entirety with Lloyd's of London with a \$1 million deductible. This reflects a decrease from the \$3 million deductible in the previous policy period. The decrease in deductible from \$3 million to \$1 million reflects a reduction in risk for LGPIF. LGPIF has also taken rate actions in the last several years to reflect the increasing cost of the program. As noted in the LAB report, OCI increased premiums by 4.9 percent in July of 2011; 13.0 percent in July of 2012; 13.7 percent in July of 2013; 11.9 percent in July of 2014; and 73.4 percent in July of 2015. In addition, LGPIF has made a number of important policy changes to more appropriately price risk and to reduce loss exposure.

All of these changes were intended to more suitably reflect the actual cost of LGPIF coverage. While the changes have led to a decrease in policy count for LGPIF, it is our understanding that LGPIF's former clients have secured other coverage in the private market. In closing, thank you for your patience. I hope this report accurately reflects the information the committee is looking for. I would be happy to answer any additional questions or to meet individually to discuss this report.

Sincerely,



Theodore K. Nickel  
Commissioner