State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

Scott Walker, Governor
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Wisconsin.gov

Local Government Property Insurance Fund
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April 27, 2012

NOTICE OF ALTERED POLICY TERMS
RENEWAL PREMIUMS
VALUATION POLICY OCI 41-080 (R01-2012)

Dear Insured:

Unfortunately, I am writing to notify you of a significant change in your premium, as required under s. 631.36, Wisconsin Statutes. The statute provides that policyholders be notified of any significant policy and/or premium alterations at least 60 days prior to any anniversary (*i.e., renewal*) date if the changes are to become effective on the renewal date. In the event the renewal is sent by first class mail less than 60 days prior to the anniversary date, the policy and/or premium change becomes effective 60 days after the notice is mailed.

As a policyholder, you have the right to cancel coverage without penalty within the prescribed 60 day time period. After 60 days, cancellation may be subject to customary short rate cancellation charges.

On April 12, 2012 the Advisory Committee to the Local Government Property Insurance Fund approved the following rate changes that affect the premiums that you pay. These changes were also approved by the Oversight Committee on April 26th, 2012.

For policies effective on or after July 1st, 2012, the following changes may affect the premium you will pay for your renewal policy:

#1: The LGPIF adopted the following changes to the deductible discounts, for new and renewal business:

Deductible (w/o aggregate)	**Current Discount**	**Proposed Discount**	**Change**
$2500	24.00%	20.00%	+5%
$5000	33.50%	30.00%	+5%
Deductible (w/ Aggregate	**Current Discount**	**Proposed Discount**	**Change**
$15000	43.95%	40%	+7%
$25000	50.00%	45%	+10%
$50000	60.00%	50%	+25%
$75000	72.45%	65%	+27%
$100000	76.25%	73%	+14%

#2: The LGPIF adopt a Loss Cost Multiplier of 1.217 for both renewal and new business.

#3: Reduced Automobile rates by 3% and Inland Marine rates by 25% for new business effective July 1st, 2012.

The Fund adopted these changes in response to a number of factors, including a depleted surplus, increased loss experience and increased reinsurance premiums due to the continued decline in the surplus balance. The chief concern to both the Advisory Committee and the Oversight Committee was maintaining the Fund's long-term solvency. An April 2012 audit by the Legislative Audit Bureau highlighted concerns. It notes that the Property Fund's surplus balance, or net assets available to pay future claims, declined from $41.2 million as of June 30, 2009, to $20.5 million as of June 30, 2011. It further notes that two of the contributing factors to the decline in surplus have been the highest level of claims activity to date during FY 2010-11, and a $12 million dividend declared during FY 2009-10. In order to further assess the fiscal status, the Fund retained the services of an actuarial firm, AMI Risk Consultants. The actuarial report reviewed the Fund's fiscal condition. Following the review, the report recommended rate changes, and indicated that the rate increases outlined above are warranted.

Thank you for being a loyal and committed policyholder. We regret that these rate changes are needed. However they are necessary in order to maintain the balance between building an adequate surplus with the need for stable rates.

Please do not hesitate to contact the undersigned should you have any questions or concerns.

Sincerely,

Louis Cornelius

Louie Cornelius
Administrator for Funds and Program Management
Office of the Commissioner of Insurance