

Subject: Who Owns Your Insurance Company?

By: Larry Nickel, V.P. Underwriting & Sales Distribution

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What difference does it make who owns your insurance company? That depends - does it matter to you who provides you with the protection to return your commercial business, farm or home to you after you've suffered a major loss to your assets? If you haven't thought about it or have always wondered, read on.

Mutual insurance companies are neither private nor public companies but rather their policyholder members control them with profits retained by the company to provide long-term stability. Like most mutual companies, Heartland Farm Mutual is committed to supporting the communities where we do business and is not beholden to faceless shareholders.

As cited in a recent Sigma [article](#) by Swiss Re (a global reinsurer) during the 2008 financial crisis the world saw a flight to quality with investments more focused on stability and consistency rather than outsized financial gains. For insurance this manifested itself in growth in the mutual global market share going from 24% in 2007 to 26% in 2014 (34% in North America). With their focus on reinvestment from retained earnings and investment portfolios highly concentrated in cash, mutual insurance companies are generally well capitalized and therefore provided the quality insurance buyers were, and are looking for.

This does not mean there are not challenges for mutual companies. As the Sigma [article](#) cites, since they cannot access public or private placement capital markets, mutual companies must look to innovative and customized solutions to transfer risk. In the case of Heartland, our base reinsurance is obtained through the Farm Mutual Reinsurance Plan, a unique Canadian mutual reinsurer that provides stable terms for us while accessing the larger global reinsurance market.

Another challenge mentioned in the article is the advent of digital disruption. While the insurance industry, particularly in the Canadian property and casualty market place, has not been affected in a significant way, the early signs of this change are coming. Most companies are now using analytics and attempting to harness big data. There are exciting possibilities through the use of real time data from the internet of things (IOT) with connected devices providing that data. Heartland is now working to lead the industry in our niche of agribusiness and rural insurance in an area of significant disruption; digital marketing. As we transition from a purely physical world to one that includes virtual (digital), customers are demonstrating on a daily basis they will do business with those companies that do business in the way of the customers choosing. Swiss Re says, "*Exploiting social media and smart analytics to better understand the needs and preferences of customers should be a natural fit for mutuals.*" We agree and intend to be at the forefront of this sea change that will transform our industry.

So the next time you are about to purchase insurance to protect your business, farm or your home, remember a mutual insurance company does not use the premium you pay (which is intended to protect you in the event of a loss) to make high risk investments to achieve the returns required by public and private ownership.