

BACKGROUND



MUTUALS: THE UNTOLD STORY

Mutual insurance company:

a community-based property and casualty (P&C) insurer owned by its policyholders, as distinct from its shareholders. The policy holders, each with one vote, are eligible to elect the board of directors of the company. In this regards, a mutual insurer differs from an insurance company owned by shareholders.

Mutuals in Ontario originated in the 1830s, when farmers concerned about protection against fire in particular, but also other natural hazards, lobbied successfully for mutual insurance legislation. Insurance companies located in England were uninterested in insuring Canadian farmers or did so at exorbitant prices.

The oldest farm mutual is Dumfries Mutual. It was organized in 1856 as North Dumfries and South Waterloo Mutual Fire Insurance Company at Roseville (near Kitchener).

By the late 1880s, over 70 mutuals were operating in Ontario, and they

began to organize. They formed the organization which eventually became the Ontario Mutual Insurance, the political voice of the sector.

For similar reasons, mutuals formed in other parts of Canada as well – in Lower Canada or Quebec in the 1850s; in Eastern Canada in 1885; and about the same time in Western Canada. The Canadian Association of Mutual Insurance Companies (CAMIC), their voice in Ottawa, formed in 1980.

Over time, mutual insurers expanded their coverage to wind-related damage, other liabilities, auto insurance in the 1970s, and commercial coverage such as boiler

insurance and group benefits in the 1980s.

Mutual companies began sharing risks with each other in the 1930s through inter-company agreements. In 1959, they formed the Farm Mutual Reinsurance Plan to share risks. Risk sharing permitted mutuals to expand their insurance products.

In addition to mutual insurance companies, there are large insurers in Canada owned by co-operatives – for example, The Co-operators and Desjardins General Insurance. These companies differ from mutual insurers in that they are not owned by policyholders, but by co-operative



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corporations (The Co-operators Group and the Desjardins Group). However, the presence of these large insurance corporations has affected the market share of mutual insurance companies.

In total, there are 106 mutuals operating in Canada. Ninety-three farm mutuals belong to CAMIC. Together, they have 3.7 million policy holders, \$4.2 billion in premiums, nearly 12% of the property and casualty market; 75% of the farm market east of Ontario; and employ 14,000. In addition to the mutuals, CAMIC's members include The Co-operators, and when that company's market share is added in, CAMIC's members have about 22% of the property and casualty market.

Two companies, namely the State Farm Mutual (headquartered in the US) and Wawanesa Mutual, control 64.21% of the entire mutual market. The remaining 104 mutuals control only 35.79% of the national mutual market.

Wawanesa, founded in 1896, is named after the village that was its birthplace. Its headquarters are nearby Winnipeg. Wawanesa alone controls 36.88% of the mutuals market in Canada.

Excluding Wawanesa and State Farm, mutual insurers in Canada focus heavily on property and casualty insurance (57.77% of their market). By comparison, Wawanesa, State Farm, The Co-operators, and Desjardins focus more heavily on automobile insurance.

Ontario contains the greatest share of mutuals activity in Canada, 56.68% of

direct written premiums. Ontario's mutuals have 12.93% of the province's property and casualty insurance market, somewhat higher than the national share of 11.5%.

Small mutuals are situated in more rural areas (e.g. Antigonish, Saint Pierre Baptiste, Beauceville, Thessalon, Ary, Teeswater, Seaforth, Langenburg); the offices of the larger mutuals' (i.e. Wawanesa and State Farm Mutual) are all located in cities and relatively more built-up area (e.g. Ottawa, Toronto, Calgary, Winnipeg) – this is also the case for co-operative insurers.

However, there are some mutuals serving predominantly urban environments – for example, Jewelers Mutual, a Wisconsin-based company founded in 1913 whose members are primarily retail jewelry stores, and the Ontario School Boards' Insurance Exchange, founded in 1983 by school boards wanting to insure their property.

Nevertheless, small mutual insurers remain rooted primarily in rural and small town communities, the locales that gave birth to them.