

AMM CONVENTION NOVEMBER 2006

Good afternoon everyone.

My name is Art Elias of HED Insurance. HED administers your 2 insurance programs on behalf of municipalities, through the AMM.

With me are Ken Fingler, HED's Director of Risk Management, Bert Walker, our Claims Manager, and the person from HED that CAO's in the audience will be most familiar with, Linda Baker, who provides the day-by-day service to you under the commercial insurance program.

Annually, we make reports at this, the business session of your convention, and also at your June District meetings.

We also have booth number 306 at your trade show, where we have various HED personnel available if any of you have questions respecting either the AMM property / casualty insurance program, or the health and dental plan.

Because many of you are new members of council, I will provide a brief history and current status of these two AMM Trading Company programs, under three headings:

- 1. The property/casualty commercial insurance program.**
- 2. The availability of liability insurance for outside user groups that rent or use different municipal facilities and**
- 3. Your health and dental program, and its renewal January 1, 2007.**

For your information, HED Insurance is Manitoba's largest insurance brokerage services provider, and one of the largest independent insurance brokerage firms in Canada. We are based in Winnipeg, are employee-owned, and currently have a total of 201 employees.

First, your property/casualty commercial insurance

This program first started in 1975, and therefore has run successfully now for more than 30 years. Because of its widespread acceptance, we were able to implement a self-insurance component for the first time in 1985, which now has grown to be well over 50% of the program as a whole.

Always though with large commercial insurers providing the excess insurance protection in the event of high claims. This ensures that even though the program has a high level of self-

insurance, it can never be in a deficit position and there could never be a retroactive assessment.

The value of having a partially self-insured program is shown by what happened both last year and the year before, when amounts of \$918,000 and \$1,000,000 were rebated back to municipalities, following low claims years. The self-insurance portion of the program is held by the AMM, being owned by participating municipalities.

So when claims are low, the money is yours rather than belonging to the insurance carriers.

Total insured values exceed two billion dollars on buildings, contents, road machinery, equipment etc., and with liability insurance protection for all participants of \$20,000,000 for claims for bodily injury or damage to others' property, and \$2,000,000 for errors & omissions liability claims against you for financial damages.

All municipalities in Manitoba outside the City of Winnipeg participate, and have done so for many years.

A key component of the program is the provision to municipalities of risk management services, under HED's Ken Fingler's direction. Risk management practices are particularly important when you have a program with a high level of self-

insurance, because every loss or claim you prevent from happening means your self-insurance loss pool pays out less.

In addition to municipal properties and risks, the program has also over the years been extended to be available to community halls, arenas, planning boards, weed boards, community development corporations, conservation districts etc.

Over time, it has been good to see that more and more municipalities will call us with questions on various risk related matters such as supervision at arenas, getting criminal record checks, smaller water services, the use of facilities such as halls or rinks by outside groups, the use of waiver forms, installation of fuel tanks and so on and so on.

As I say, it is gratifying that we are consulted as often as we are about the potential liability or fire hazards that might exist in a project, or the wording of a contract you're considering entering, before doing these kinds of things.

The program renewal date is April 1, and based on the first seven months of the current year, it appears we're headed towards another what we consider to be routine year of claims - somewhere between 3.5 and 4 million dollars, and with no individual very high claims.

That self-insurance fund held by the AMM has the responsibility of paying the first \$500,000 in respect of any one claim, up to an annual amount currently of \$4,000,000. Claims over \$4,000,000 per year are paid by the excess insurance carrier.

We find that, at this level of self-insurance, we get the best conditions respecting the cost of the excess insurance from the commercial insurance carrier, because we keep the insurance company away from the claims-payment process in respect of the majority of claims.

Liability insurance for outside user groups

This coverage was first made aware to all municipal offices back in June. The easiest example of the value that this can be is in respect of a wedding or a social at a community hall. Through this process, \$2,000,000 of commercial general liability insurance can be made available for such a function, for the benefit of the user group. The premium for a social or wedding with say 250 people attending is \$225, less than \$1 per attendee.

It is important to note that the Municipality and the Hall Committee will always have their \$20,000,000 protection under the AMM program; this available \$2,000,000 coverage is for the benefit and protection of the user group – the people renting the hall.

We have provided all municipal offices the application forms with complete instructions and procedures, asking that CAOs make sure that this information was provided to all hall and rink and other facility managers.

Some of the benefits of this program include:

- 1. That it is clearly spelled out that the user is responsible for damage to the facility.**
- 2. That it is clearly spelled out that the user should have their own liability insurance in the event of injury happening during their function.**
- 3. That the user group can obtain this type of liability insurance protection at a very reasonable cost through the municipality, much lower than otherwise available.**
- 4. That by adopting this process, you protect your AMM self-insurance program by having such outside users have their own liability insurance, to prevent something that simply isn't your fault from ending up in your lap anyways, because the user group doesn't have their own liability insurance.**

This can also be used for a wide variety of other types of community functions such as family reunions, anniversary parties, beer gardens, hockey leagues etc.

We need to get the knowledge that this user group liability insurance is available out to more people, and so Ken Fingler will be conducting a seminar on this at your end-of-February Municipal Officials Seminar.

In the meantime, if your CAO has not yet provided copies of this information to the facility managers, I encourage you to arrange for that.

Your health and dental plan:

As you know, the Municipal Employees Benefits Board provides municipal employees throughout Manitoba with group life and disability income insurance. The AMM first made available a supplementary health and dental benefit plan to municipalities for their employees in the early 90's. Thereafter, coverage has also been made available to those members of councils who don't have their own coverage under either a spouse's plan or at their place of employment.

Similar to the property/casualty commercial insurance, this health and dental plan is also on a self-insured basis, because

self-insurance invariably means that more cents on the premium dollar are available for the payment of claims, because there is no insurer expense and profitability factor.

There currently are 130 municipalities participating in this plan, with a total of 170 policy holders once including additional groups such as planning boards, weed districts, recreation commissions etc.

A total of about twelve hundred employees and council members are covered, and when adding their families, the total is over two thousand insured persons.

The program has seen a fairly significant increase in claims over the last two years, due not only to the normal drug and dental cost increases but also new drugs and more particularly in your case, because of now providing insured persons with a drug and dental credit card that makes the claiming process really easy, because costs of drugs and dental services are paid directly to the pharmacist or the dentist.

Those of you participating in the plan have just received a letter to the effect that on January 1, the rates will increase by 11%, under each of the three plans available.

At the same time though, we have implemented a more equitable rating system to reduce the amount of cross subsidization between municipalities.

To keep rates more fair, those municipalities whose employees have high claims will see a further 10% increase, or an alternative by which they can keep their increase down at 11%. That alternative is to allow you the option of changing your coverage for drugs from 100% to 80% instead. By accepting this, that extra 10% premium wouldn't apply.

If you are in this high-claims category, we need to hear from you before the end of December as to whether you want to retain the 100% drug coverage at the higher rates, or want to go to the 80% coverage at the lower rates.

This same type of claims review process will be done very year in order to maintain the concept and benefit of a large group insurance program on the one hand, but fairness and equity between municipalities on the other.

I'm hopeful that next year, we'll end up with not only a standard rate and then an increase for the high claimers, but also a 10% reduction from standard for the low claimers. In this way, everyone still benefits from the AMM's broad spread of risk and pooling concept, however we ensure that the low claiming

groups don't have to subsidize the high claimers to too great a level.

That is our report to you today. Again, if anyone has anything that they would like to discuss with us, please visit us at booth 306. And for your information, a copy of my address to you today will be on the AMM website, and also on the Risk Management Extranet site.

Thank you for your attention. Thank you for the opportunity to be here, and I wish you a successful convention.