

REPORT TO AMM DISTRICT MEETINGS JUNE 2006

Good morning/afternoon ladies and gentlemen. Our firm, HED Insurance, has worked with the AMM for many years in respect of the Municipal Insurance Programs, including both property/casualty insurance, and the health and dental program.

While I am the person from HED that makes these reports each year to your June District Meetings and your Convention, there are a number of people from HED involved in your account, including Ken Fingler and Bert Walker, who are here with me today.

Ken and Bert were introduced just before lunch, and will be here with me for the rest of the day.

OR, Ken and Bert , please stand so people can recognize you.

Ken is responsible under agreement with the AMM for the provision of risk management and loss prevention services to Municipalities, and Bert is involved in both claims, and in policy wordings and coverages.

For the CAOs here, you will know Linda Baker of our office best of all, since she together with her assistant Carol MacDonald, are responsible for the day by day service to you on the property/casualty program.

My report today covers a total of five topics:

1. The renewal of your general insurance April 1, 2006, including a brief financial report.
2. Some comments on the insurable values of buildings and contents insured under your program.
3. Liability insurance for outside user groups that rent or use municipal facilities.
4. Workers Compensation benefits and the municipal accident insurance program for volunteer firefighters.
5. A brief report on your employee/Councilor health and dental program.

First, respecting your general insurance program and the April 1 renewal:

All Municipalities in Manitoba outside Winnipeg have participated in this program for many years.

Total insured values for buildings, contents, mobile machinery and equipment and fire department vehicles now exceed 2 billion dollars. The general liability insurance protection is at a limit of \$20,000,000 with \$2,000,000 coverage for errors and omissions liability.

This program has a significant self-insurance component but then with excess insurance protection from a major Canadian insurance company, such that

municipalities have 100% protection at all times. The self-insurance trust deductible fund is held by the AMM, and can never be in a deficit position.

This last April 1st saw an overall increase in cost of an average of 3.9%, but this 3.9% increase included a \$500,000 increase to a total now of \$4,000,000 per year in the self-insurance fund, and also included an average 24% increase in estimated insured values of buildings and contents.

Between these two factors, there was probably an overall increase in value to the program of about 20%, as against this 3.9% increase in your cost.

This increase in estimated buildings and contents values had to happen because of how dramatically construction costs have been increasing over the last couple of years. We were able to negotiate a reduction in rate from the insurance carrier that almost totally offset the increase in coverage amounts and the increase in the self-insurance component.

It's from that self-insurance fund that in each of the last two years you have seen a rebate of about 15% of your total premiums. There will be no such rebate this year. The reason is that in the April 1, 2005 to April 1, 2006 policy year, claims were substantially higher than the average in the five prior years. That average in past years was \$3.2 million, whereas the total for the year just completed was instead \$4.6 million. Municipalities have never experienced a shock loss like the Schools Insurance program, and the Moose Lake school fire that destroyed Rod Martin School in February 2005, at a cost of \$9,700,000. In your case, this year, there was a significant number of larger claims, far more than we'd seen previously.

Hopefully we'll go back to the old standard of that \$3.2 million average amount per year and hopefully a year from now I'll be able to report on a rebate again.

One change in coverage that happened this past April 1st was that the base coverage for insureds (either Municipalities themselves or any of their listed additional insureds) putting on demolition derbies, tractor pulls or other vehicle related types of operation have coverage for liability insurance of \$1,000,000, as compared with the \$20,000,000 you have for any other operations. Excess higher limits are available at additional premium, but have to be applied for.

If your liability insurance is extended to include any such additional insureds that put on these kinds of functions, please make sure that they are aware that their liability insurance from now forward is only at that \$1,000,000 limit.

2. Respecting values of buildings and contents:

I've mentioned the big increase in estimated insured values that was applied on this renewal. We're taking a next step and will be sending out to you a questionnaire asking for square footage and various construction information in respect of core buildings such as your office, your garage, rinks, and halls, and also asking for some added information as to the quality of construction. The purpose is to become more accurate in our estimated valuation system, so that in future we can ensure that the premiums you are charged are based on as accurate an estimate of the re-construction cost of your buildings as possible.

3. Liability insurance for Outside Groups that use or rent municipal facilities:

Just last week you received an email from us that provided an outline of the process by which you can specify the terms and conditions that apply for the use of your facilities, such as a hall or rink, by an outside group for a wedding social in a hall. This process includes an application form under which the user group is required to accept responsibility for any injury or damage that they cause. In addition, the form allows the user group to apply for insurance if they don't already have their own. This is so for a wide variety of activities ranging from beer gardens to baseball tournaments to an adult hockey group to seniors group meetings etc.

If you adopt this process, it allows there to be a clear understanding as to the terms under which you are allowing such an outside group use your facilities, who is responsible for what, and makes available insurance coverage to the outside user group (who likely are not covered under your policy). The facility collects the rent and the premium, sends you – the municipality - the premium, and we bill you.

At the same time, because the user groups then have their own insurance, you don't put at risk your self-insurance program for a claim that should be their responsibility.

4. Workers Compensation benefits for volunteer firefighters:

After a long time of lobbying by the AMM, the Workers Compensation Board finally made some important changes to their regulations effective January 1, 2006. These involve volunteer firefighters, for whom WCB benefits have now changed to:

1. No longer have a cap on insured earnings. In 2005 this earnings cap was \$55,000, which meant that anyone earning more than that would not be properly compensated if disabled while fighting a fire.
2. Eliminating what they call the “offset” restriction whereby in the past, the most a person would collect for disability income was 90% of their net employment earnings at their regular job. Now, the 90% provided by the WCB can be topped up with the additional 10% so that a person who’s disabled can be compensated 100% of their pre-disability earnings. In addition, there’s also a benefit of up to \$100 a week for things like loss of pension contributions.
3. Improved coverage for firefighters who contract cancer. In the past, a firefighter who contracted cancer had to prove that firefighting caused the cancer in order to collect WCB benefits. Now, there is an automatic presumption of coverage for a non-smoker who contracts cancer after a certain time period of being a volunteer firefighter.

The result was that certain of the coverages provided under the AMM program for volunteer firefighters could be changed to properly dovetail to the WCB

benefits. The overall result is that firefighters can now be covered in a far better fashion than was possible in the past.

All municipalities that carry the AMM volunteer firefighter accident insurance received a couple of notices in this respect at the beginning of the year. I think that almost all volunteer fire departments have this AMM coverage, but if you do not, you really should look into it.

5. Your Health and Dental Program:

Your health and dental coverage, which continues to have the claims paid by Manitoba Blue Cross, was changed to be on a self-insurance basis effective January 1, 2005. After a 3% reduction in premiums January 1, 2005, there was a 13% increase effective January 1, 2006, for an average increase over the last two years of 5% per year.

Participation in this program continues to grow on a slow, steady basis. There are 127 municipal corporations now participating in the program for their employees and many of them for their Council members as well, and in addition 37 other organizations such as Conservation Districts, Recreation Districts, Planning Districts etc. A total of 1,246 employees and Council members now participate and when you add in family members, the total is well over 2,000.

Since conversion to the self-insurance format, a surplus of \$82,000 has been accumulated as of April 30, 2006. Total premium volume now exceeds \$2.5 million. We know that the rates are pretty much exactly where they should be when only so small a surplus in 16 months has been accumulated. The rating is very competitive and if your Municipality does not presently participate, I encourage you to give us a call so that we can provide you a quotation.

That's my report to your meetings this year. Ken, Bert and I appreciate the opportunity to be here. If you have any questions, I'd be pleased to try to answer them. Otherwise, we'll be here for the balance of the day so that if any of you have any questions that you might like to ask, please come and see us. Thank you.