



Municipal General Insurance Program Report



Topics for Discussion:

- Estimated Insured Values – water/sewage facilities / rinks & arenas
- Claims History
- Self-Insurance History
- Health and Dental



Factors Impacting Construction Cost Increases

- Hurricane Katrina
- Gyproc costs “up 10% every 3 months”
- Alberta economy drawing materials/labor
- Recent 21% increase in construction labour rates in MB
- MB Labor unions still plan to strike for higher wages
- High steel demand in China/India (costs increase 40%)



Factors Impacting Construction Cost Increases (cont'd)

- “1.5% per month over last 2 years” equals 43% compound increase
- Impact on remote areas worse yet; experienced labor not available locally, travel / housing costs added
- By-law upgrades (eg. Frame Quonset rinks not permitted unless Gyproc lined, otherwise steel constn.)



Municipal Insurance Program Structure

- \$4,000,000 annual self-insurance fund (SIR), for both property- \$2.9 Billion, and Liability- \$20,000,000/claim
- SIR pays 1st \$500,000 per claim
- Excess Commercial Insurer St. Paul Travelers pays excess of \$500,000 per claim, excess of \$4,000,000 per year – each year's SIR can never have a deficit
- Surplus SIR funds rebated to municipalities



Municipal Insurance Program Structure (cont'd)

- Blanket basis of coverage; one high limit of coverage
- Premiums are based on estimated values
- Claims are paid on actual cost of re-construction, including by-law upgrades
- Important that estimated values are reasonably accurate, otherwise we might lose the benefit of this “blanket coverage”



Winnipegosis Arena Fire

- Previously-estimated value \$1,200,000
- Current estimated claim reserve over \$2,000,000
- Winnipegosis will receive full re-construction cost
- Therefore values of all rinks/arenas reviewed; similar situation of inadequate values found almost everywhere
- Many of you have just received notices increasing the values of your rinks/arenas; additional premium very low

Now – offices/garages/community halls/fire halls/museums etc. to be reviewed.



Estimated Values (\$ millions)

	March/07	Renewal April 1/07	Revision Rinks/Arenas May/June 07	% Increase
Water/Sewer Facilities	500	842	842	68%
Rinks/Arenas	464	474	875	89%
Other Bldgs/Conts	930	923	930	
Mobile Equipment	224	200	199	
Fire Dept.Vehicles	54	55	54	
Total	2,173	2,493	2,901	33%

- Water/Sewer Facility values up-dated April 1/07
- Rinks/Arenas up-dated June 1/07



Municipal Program Claims History

Average claims per year, property/liability:

- in the 5 years - Sept 1 /94-99 \$2,106,000
- in the 5 yrs, 7 mo. – Sept 1/99 to Apr 1/05 \$2,893,000
- April 1/ 05-06 \$4,341,000
- April 1/ 06-07 \$4,203,000
- **2 months – April & May 07 \$4,252,000**

If claims in the rest of this policy year (10 months) are the same as the last 10 mo. of the prior 2 years, claims will total \$7-8,000,000



Self-Insurance Funding

Sept 1/94-95	\$1,000,000
Sept 1/95-96	1,500,000
Sept 1/96-97	2,000,000
Sept 1/97-98	2,000,000
Sept 1/98-99	2,000,000
Sept 1/99-00	2,000,000
Sept 1/00-Jan 1/02	2,667,000 (16 months)
Jan 1/02-03	3,000,000
Jan 1/03-April 1/04	4,375,000 (15 months)
April 1/04-05	3,500,000
April 1/05-06	3,500,000
April 1/06-07	4,000,000
April 1/07-08	4,000,000



Forecast for Renewal April 1, 2008

- In 4 years, April 1/03 - April 1/07 total premium increased only 3.1% while values increased 65% to \$2.493 Billion
- Values April /08 may have to be \$3.5 Billion or more
- Because of values and because of claims, either self-insurance funding or insurer premium will increase, or some combination of both



Health and Dental

- Now self-insured since Jan/05, with claim payment services by MB Blue Cross
- 130 municipalities participate, plus 87 others like conservation, recreation, planning and weed districts, and retirees
- Total 1,240 employees/councilors plus families
- Total premiums \$2,911,000 annual, average increase 7.6% per year over the last 5 years