

MUNICIPAL GENERAL INSURANCE PROGRAMS REPORT

Copies will be posted on the
Association of Manitoba Municipalities and
Western Financial Group Insurance Solutions websites:

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2019 Commercial Insurance Marketplace

- Property & Casualty losses in Canada have increased significantly in recent years
- Insurer loss ratios near 100% on a combined basis
- Insurance companies make profit through investments and/or underwriting gains
- ***“The combined Q1 underwriting result for Canada’s p&c insurers was the worst in 17 years, with, a 600% increase in losses from 2018, each of the top-10 largest insurers reporting underwriting losses for the period”***
– Thompson Insurance News

2019 Commercial Insurance Marketplace

- Low interest environment requires insurers to return to underwriting gains
- Insurer appetite has narrowed and is more selective by industry class
- The very best insurance programs with low loss ratios are now experiencing 7-10% rate increases

Property & Casualty Program Structure

- “Protected Self-Insurance”, with AMM-held loss pool to pay first portion of claims
- Excess insurance provided by commercial insurers for complete protection
- Surplus loss pool funds belong to municipalities
- Ongoing review and enhancement of coverage
- Guaranteed replacement cost protection for buildings
- Mobile machinery and equipment up to 10 years old insured to replacement cost
- \$50,000,000 liability protection (increased from \$35,000,000)
- Environmental Impairment Liability and Public Entity Management Liability - \$5,000,000
- Crime, Equipment Breakdown & Cyber Liability coverage

Advantages of Protected Self-Insurance Structure

- The AMM Property & Casualty Program has premiums divided into two premium categories:
 - ***AMM Held Loss Pool***
 - ***Excess Insurers***
- The unique structure allows the AMM Insurance Program to adjust during different market cycles of increasing or decreasing insurer rates, with a ***“best in class Program, as the most efficient structure to purchase insurance”***
– Harper Report

Advantages of Protected Self-Insurance Structure

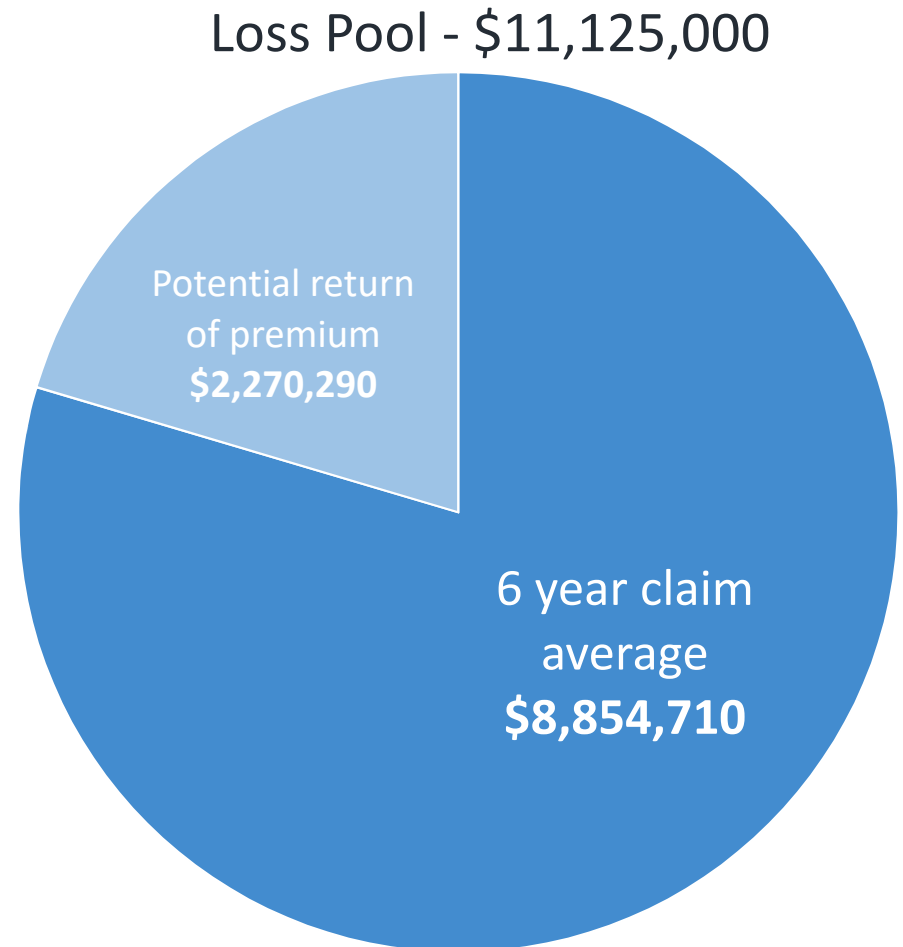
- When excess insurers require rate increases, we react by shifting more premium into the AMM held loss pool – Dauphin hail storms
- The AMM held loss pool provides the opportunity for returns of premiums; the larger the loss pool the greater the opportunity for Program returns
- The larger loss pool results in enhanced levels of control and stability for all municipalities, especially during increasing rating pressure from Insurers

April 1, 2019 Property / Casualty Renewal

- Total claims in the 2018-19 policy year were \$9,857,533 (as of March 21, 2019)
- Property loss pools exhausted for 3rd consecutive term (2018: \$4.5 million)
- Extremely high insurer Property loss ratios of; 131.9%, 317.2% and 220.2% in last three years
- Insurers requested 50% rate increase based on high claims ratios
- Aggressive re-marketing of program after initial advisory insurers would not offer renewal terms.
- Total insured values = \$5.247 Billion, up from \$5.043 Billion in 2018
- ***Self-Insurance loss pool increased from \$6,600,000 to \$11,125,000***
- ***90% of the increase in total premium remains in self-insurance fund***

Program Claims Experience

- 2013-14 - \$7,447,714
- 2014-15 - \$5,784,609
- 2015-16 - \$5,022,147
- 2016-17 - \$11,046,860
- 2017-18 - \$13,969,097
- 2018-19 - \$9,857,833



April 1, 2019 Property / Casualty Renewal

- \$1,605,333 return of premium from Self-insured retention pool
- \$600,000 return of premium from Employee Benefits program
- \$1,310,127 “AMM Rate Stabilization” input
- Result: 12% increase in overall cost of insurance
- \$8,979,933 in returns of premium have been issued back to municipalities since 2008.
- **Note: These funds would go back to insurers as underwriting profit, without existing structure.**

April 1, 2019 Property / Casualty Renewal

	April 1, 2016 Renewal	April 1, 2017 Renewal	April 1, 2018 Renewal	April 1, 2019 Renewal
Total Estimated Values Insured	\$4,681,073,400	\$4,878,125,320	\$5,043,672,818	\$5,247,033,018
Self Insurance Funding	\$6,100,000	\$6,100,000	\$6,600,000	\$11,125,000
Excess Insurance Cost; Incl. AMM	\$7,116,742	\$7,588,259	\$7,978,272	\$8,460,769
Total Annualized Cost to Municipalities	\$13,216,742	\$13,688,259	\$14,578,272	\$19,585,769
Average Rate Per \$100 excl. loss pool	15.2	15.6	15.7	16.1

Risk Management Services

- Complete risk management surveys of municipal buildings and recreational facilities (431 buildings surveyed in past year)
- Assist municipalities with questions regarding property claims and liability issues
- Assist AMM with risk management strategies related to safety plans and assist in COR Certification processes
- Prepare loss prevention bulletins and articles for the Municipal Leader
- Present risk management and loss prevention seminars at MOS
- Provide ongoing training for municipal playground inspectors
- Updates to ***“AMM Risk Management at a Glance”***

Accidental Death & Dismemberment

- Accident coverage for councilors, volunteer firefighters/ambulance attendants and other volunteers
- Benefits continue to be reviewed to match (or better) those offered in the marketplace
- Maximum age for coverage has been increased from 65 to 80
- Available options for councilors and firefighters for 24/7 coverage and firefighters for family coverage
- Life and Critical Illness coverage options are available for firefighters
- No change in premiums from 2018-2019

Course of Construction & Wrap-Up Liability Facility

- \$15 Million capacity for Builders Risk
- E.g. municipal buildings, sewer / water distribution projects, bridges
- \$10 Million capacity for Wrap-Up Liability
- *Must contact office prior to commencement of project in order to place coverage

AMM Employee Benefits Program

- Specializes in providing employee benefits plans to members of the Association of Manitoba Municipalities
- 114 municipalities participate out of 137, plus an additional 312 conservation districts, recreation districts, planning districts, weed districts, and retirees
- 1,834 employees/councilors insured; 4,678 total including dependents
- 338 retirees insured; 515 including dependents
- Self-insured since January 2005, with claim payment services provided by Manitoba Blue Cross
- Average annual premium increase 3.0% in last 5 years, much lower than other group benefit plans
- 2019 total annual premium is now \$6,810,348 where in 2018 total annual premium of \$6,163,517;
growth of \$646,831
- New plan enhancements and options provide members with flexibility

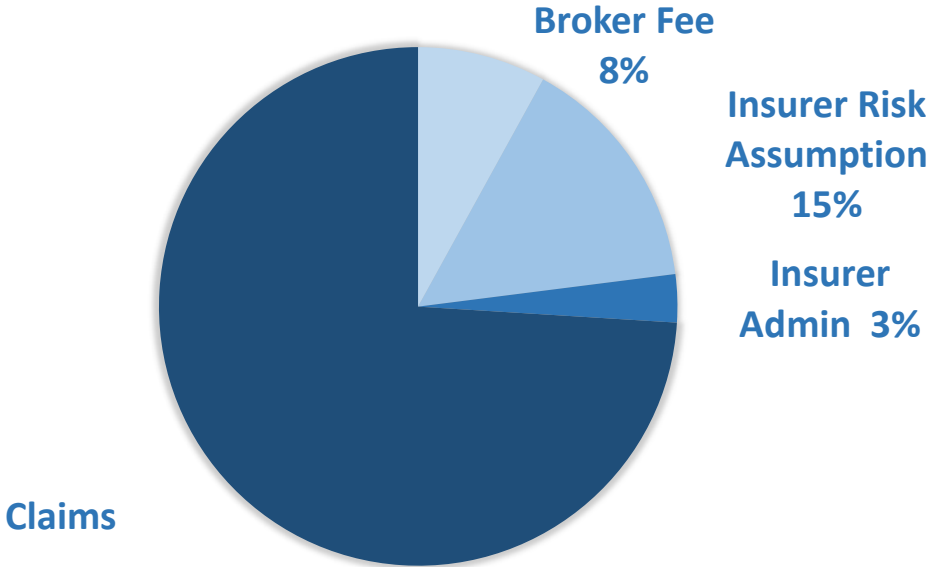
Traditional Market Concept

- Experience Rated: Insurance companies renew based on the experience of an individual group:
 - When claims are worse than expected, rates proportionately increase
 - When claims are better than expected, rates remain the same or decrease slightly
- Extremely challenging to budget for plan costs year to year
- Double digit increases are very common at renewal
- Health and Dental trends fluctuate each coming year due to:
 - Research and development
 - New drugs coming onto the market
 - Average health trend approx. 12%
 - Average dental trend approx. 7%

AMM Pooled Health & Dental Benefits

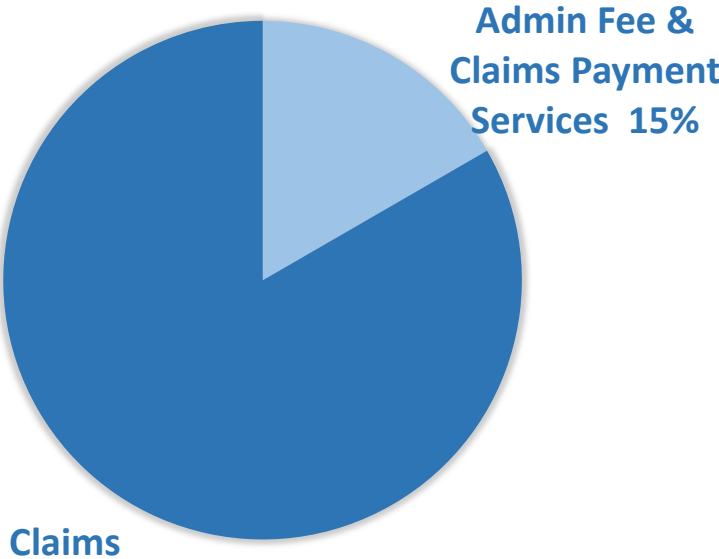
- Renewals are based on the overall claims experience of the aggregate program – similar to a large corporate plan
- Increased spread of risk promotes long-term rate stability for all members
- Annual renewal of January 1 for all members
- Greater level of protection against large health claims
- Renewal impacted by health and dental trends
 - Historical average renewal increase of **2-3%**
- Pooled program provides a safety net for Municipalities that may have a year of bad claims

Traditional Market Model



- Expense factor = 25 cents per \$1
- Target Loss Ratio = 75%
- No chance for Return of Premium

AMM Insurance Model



- Expense factor = 15 cents per \$1
- Target Loss Ratio = 85%
- Surplus on Claims Returned to AMM Participants
- Over \$1 Million returned over the past 3 years

Return of Premium

- AMM returned \$250,000 to AMM Employee Benefits Program members in 2018
- Over \$1,000,000 has been returned to members within the past 3 years
- AMM offers members the opportunity to receive a return of premium based on the performance of the program
- Refund is allocated as a weighted average based on the plan members percentage of the total premium
- Members have ownership / stake in the AMM program
- The accumulated surplus owned by municipalities was \$626,292 as of June 01, 2019

New and Exciting Features Coming Soon

1. WFGIS Online Admin

- 24/7 access to your employee benefits plan
- Ability to enroll, terminate, and make other employee changes
- Update address
- Request new ID cards for your employees



2. Enhanced Member Communications

- Interactive communications on administration, program updates, Q&A sessions, and more.

Advantages of the AMM Employee Benefits Program

Strength in Numbers

- Employee benefits program grows stronger each year
- Greater spread of risk
- Enhanced level of protection against large health claims

Long-Term Stability

- Historic average renewal of 3.0% within the past 5 years
- Provides municipalities with greatest value of premium dollars spent when compared to claims paid
- Level of stability and predictability surpasses any other benefits program on the market

Program Innovation

- The AMM Health & Dental Program continually researches new coverage options and strives to provide new and exciting features and enhancements.

Questions?

THANK YOU