

MUNICIPAL GENERAL INSURANCE 2019 Renewal Report

Copies will be posted on the
Association of Manitoba Municipalities and
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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

2019 Commercial Insurance Marketplace (cont'd)

- 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

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 – Harper Report, “best in class Program as the most efficient structure to purchase insurance”

Advantages of Protected Self-Insurance Structure (cont'd)

- 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

AMM Protected Self-Insurance History

- Protected Self Insurance Program initiated in the early 1970's; partnership between the AMM and HED/Western
- Since 2004, over \$8M of premium has been returned from the AMM held loss pool; this would typically go to the insurance industry as profit

AMM Protected Self-Insurance History

- Excess Insurer rate per \$1,000 of coverage has remained stable at 16 cents
- Customized coverage and policy wordings continue to evolve & improve – best in class
- Risk management and loss prevention services designed to reduce losses – over 100 facilities reviewed each year

April 1, 2019 Property/Casualty Renewal

- AMM Insurer loss ratio over the past three years is over 200%; \$1 of premium = \$2 of claims
- Renewal process began in early in January; program review

April 1, 2019 Property/Casualty Renewal

- Comprehensive market tender with over 9 additional insurance companies receiving proposals
- Three of the four current insurers initially declined to provide quotations on renewal
- Initial response from insurers indicated a requirement for more than a 50% rate increase

April 1, 2019 Property/Casualty Renewal

- *By increasing the AMM held Loss pool rather than paying excess insurers more premium/rate, the potential 50% premium increase has been reduced to 12% on average*
- Both the AMM and Western believed that investments to reduce the premiums paid by municipalities on renewal were critical – action was taken and an AMM rate stabilization fund was created
- In addition to the AMM funded rate stabilization fund, \$1,605,333 will be returned from Commercial Program surplus funds, and \$600,000 from the AMM Health & Dental Program surplus funds

April 1, 2019 Property/Casualty Renewal

- The 12% increase on premium will apply to the AMM Loss Pool and not as Insurer rate increases – 90% of the premium increase stays with the AMM, and is municipality owned
- By increasing the AMM held loss pool, we are increasing the potential for returns of premium and sheltering the Program from Insurer required rate increases – stability and control

Questions ?
THANK YOU