

Municipal General Insurance Programs Report

Western Financial Group Insurance Solutions

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AMM Insurance Program

Property & Casualty

AMM Protected Self-Insurance History

- Protected Self-Insurance Program initiated in the early 1970's; partnership between the AMM and HED/Western Financial Group Insurance Solutions
- Protected Self-Insurance Model implemented to provide ownership and control to the AMM over the commercial & employee benefit programs
- Since 2010, almost \$12.2 million in premium has been returned from the AMM held loss pool back to municipalities; in a traditional open-market this would go to the insurance industry as profit

Advantages of Protected Self-Insurance Structure

The AMM Property & Casualty Program has premiums divided into two premium categories:

1. AMM Held Loss Pool

Unique AMM-Member owned “Protected Self- Insurance” Program, with annual AMM held loss pool that pays 1st portion of claims

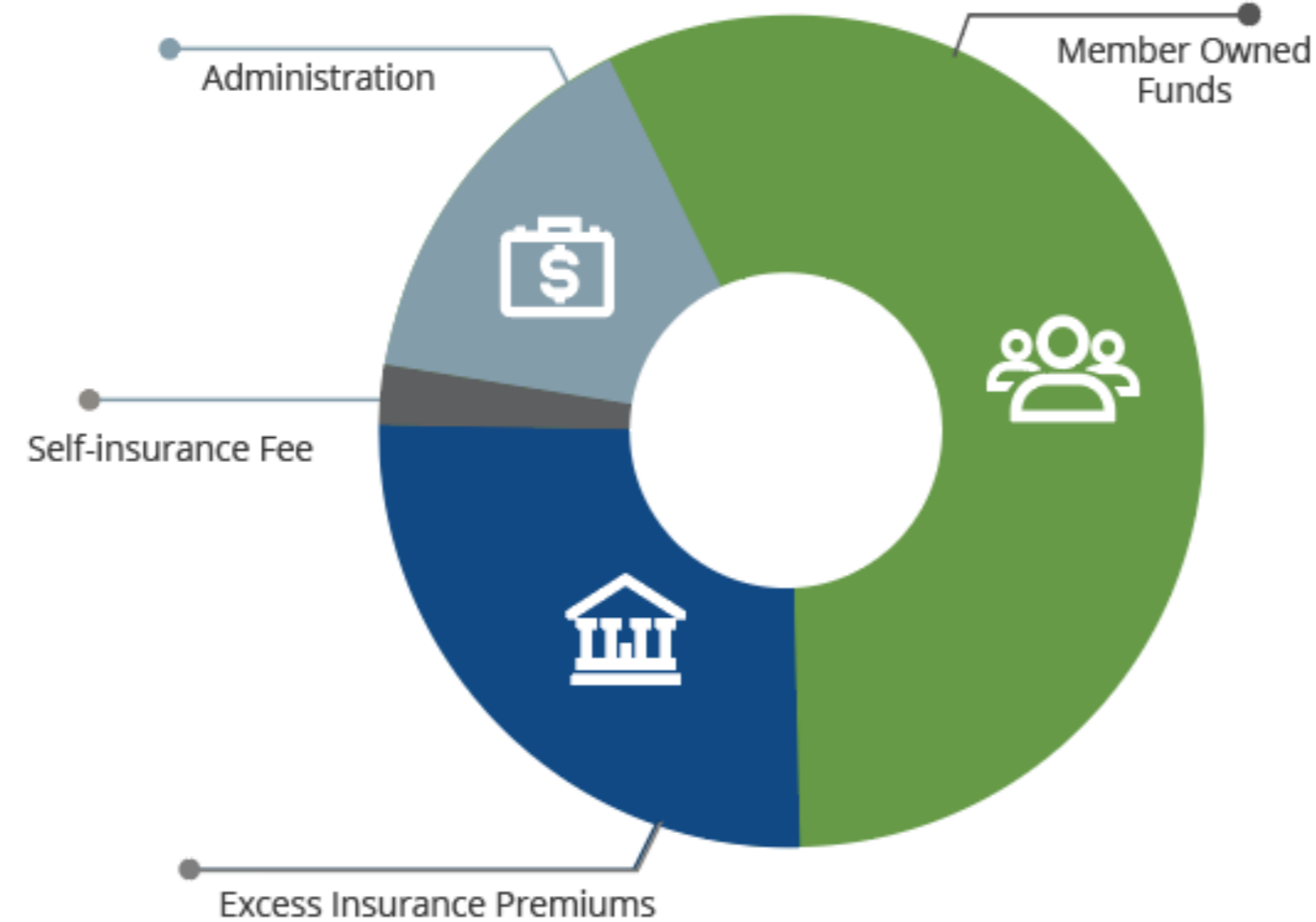
2. Excess Insurers

Excess insurance provided by commercial insurers for complete protection

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

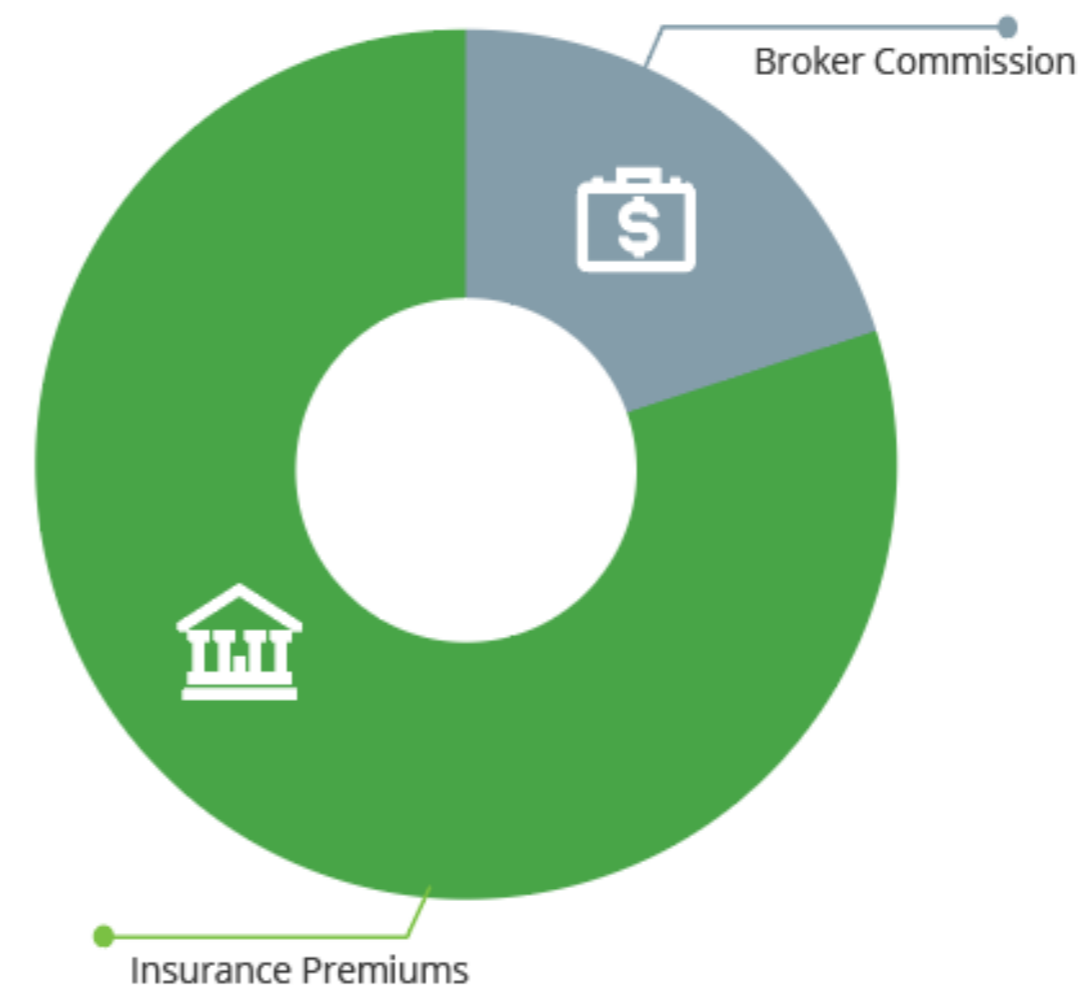
AMM Program vs. Traditional Open Market Structure

AMM GENERAL INSURANCE PROGRAM



- Long-Term Rate Stability
- Ownership of Premiums
- Potential Return of Premiums
- Tailored Program – 40 year history

TRADITIONAL INSURANCE MODEL



- Unstable Rates
- No Potential Return of Premiums
- Enhanced Profit for Insurance Companies

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, 2019 market conditions
- 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 ownership & control for all municipalities, especially during increasing rating pressure from Insurers

2020 Commercial Insurance Marketplace

- Property & Casualty losses in Canada have increased significantly in recent years
- Insurer appetite has narrowed and is more selective by industry class
- Hard-market conditions have existed since Summer 2019, now combined with COVID-19 situation, has further reduced insurers appetite for risk
- The very best insurance programs with low loss ratios are now experiencing 30-50% rate increases
- Insurance companies make profit through investments and/or underwriting gains
- Low interest environment requires insurers to return to underwriting gains

April 1, 2020 Property / Casualty Renewal

- Total claims in the 2019-20 policy year were \$5,592,667 (as of April 1st, 2020)
- Reduced frequency and severity of claims from 2019 - \$9,857,833 – Risk Management
- Insurers requested 20% rate increase based claims history / market conditions
- Aggressive marketing of program after initial advisory an insurer would not participate in offering renewal terms
- Total Insured Values are \$5.430 Billion, up from \$5.247 Billion in 2019
- Self-Insurance loss pool increased from \$11,125,000 to \$11,875,000
 - Liability Loss Pool – expanded from \$2 million to \$2.25 million
 - Equipment Breakdown Loss Pool – expanded from \$125,000 to \$625,000

April 1, 2020 Property & Casualty Renewal

- \$3,265,000 return of premium from Self-insured retention pool – largest ever in program history!
- \$800,000 return of premium from Employee Benefits program
- \$500,000 AMM Rate Stabilization input
- Result: 8.92% increase in overall cost of insurance
- **\$12,244,933** in returns of premium have been issued back to municipalities since 2010
- Note: These funds would go back to insurers as underwriting profit, without existing structure through

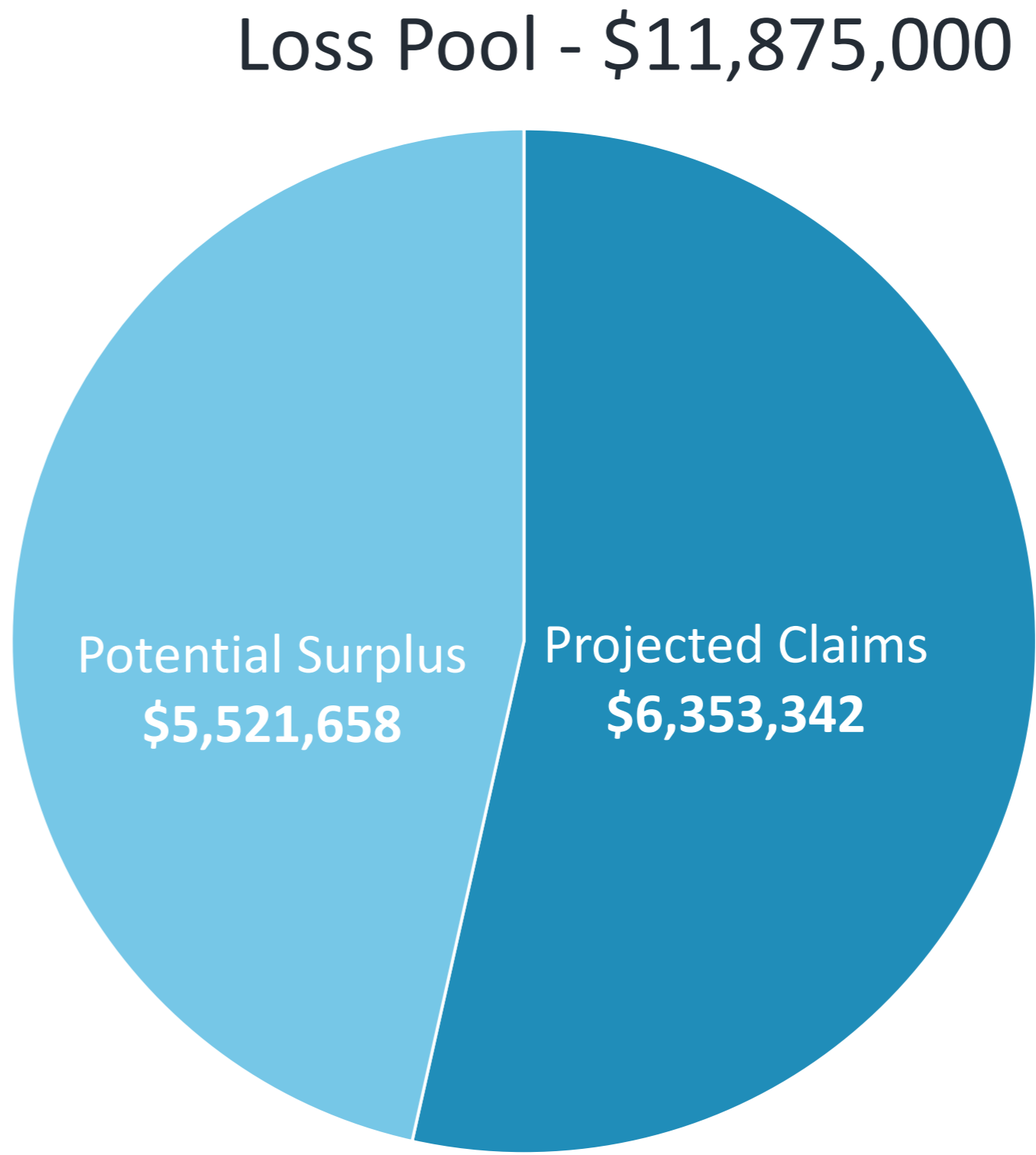
April 1, 2020 Property & Casualty Renewal

| | April 1, 2017 Renewal | April 1, 2018 Renewal | April 1, 2019 Renewal | April 1, 2020 Renewal |
|--|--------------------------|--------------------------|--------------------------|--------------------------|
| Total Estimated Values Insured | \$4,878,125,320 | \$5,043,672,818 | \$5,247,033,018 | \$5,430,419,671 |
| Self Insurance Funding | \$6,100,000 | \$6,600,000 | \$11,125,000 | \$11,875,000 |
| Excess Insurance Cost; Incl. AMM | \$7,588,259 | \$7,978,272 | \$8,460,769 | \$10,330,955 |
| Total Annualized Cost to Municipalities | \$13,688,259 | \$14,578,272 | \$19,585,769 | \$22,205,955 |
| Average Rate Per \$100 excl. loss pool | 15.6 | 15.7 | 16.1 | 19.0 |

Program Claims Experience

- 2015-16 - \$5,022,147
- 2016-17 - \$11,046,860
- 2017-18 - \$13,969,097
- 2018-19 - \$9,857,833
- 2019-20 - \$5,592,667
- 2020-21 - \$3,546,816 (as of October 31st, 2020)
- Projected Claims - \$6,353,342
- Projected Surplus - \$5,521,658

*Increase of loss pool = more funds away from insurers, more ownership, control and opportunity for returns of premium



Program Claims Experience - 2020

- Current Projected Surplus of almost **\$5.5 million** in loss pool funds
- Funds that are member-owned, and not controlled by excess insurance companies
- Projected claims for 2020 policy term – approximately **\$6.3 million**
- Structure changes to loss pool for 2019 & 2020 renewal have provided greater stability and opportunity for surplus & returns of premium
- 2020 Renewal - **\$3.265 million** return in premium – largest ever in program history!
- Risk Management continues to play a pivotal role in reducing frequency and severity of potential property & liability claims

Risk Management

- Complete risk management surveys of municipal buildings and recreational facilities
 - 245 buildings surveyed year to date
- 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
- AMM Risk Management at a Glance – Central repository for risk management guidance (available online)

Course of Construction & Wrap-Up Liability Facility

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

AMM Insurance Program

Employee Benefits

AMM Employee Benefits Program

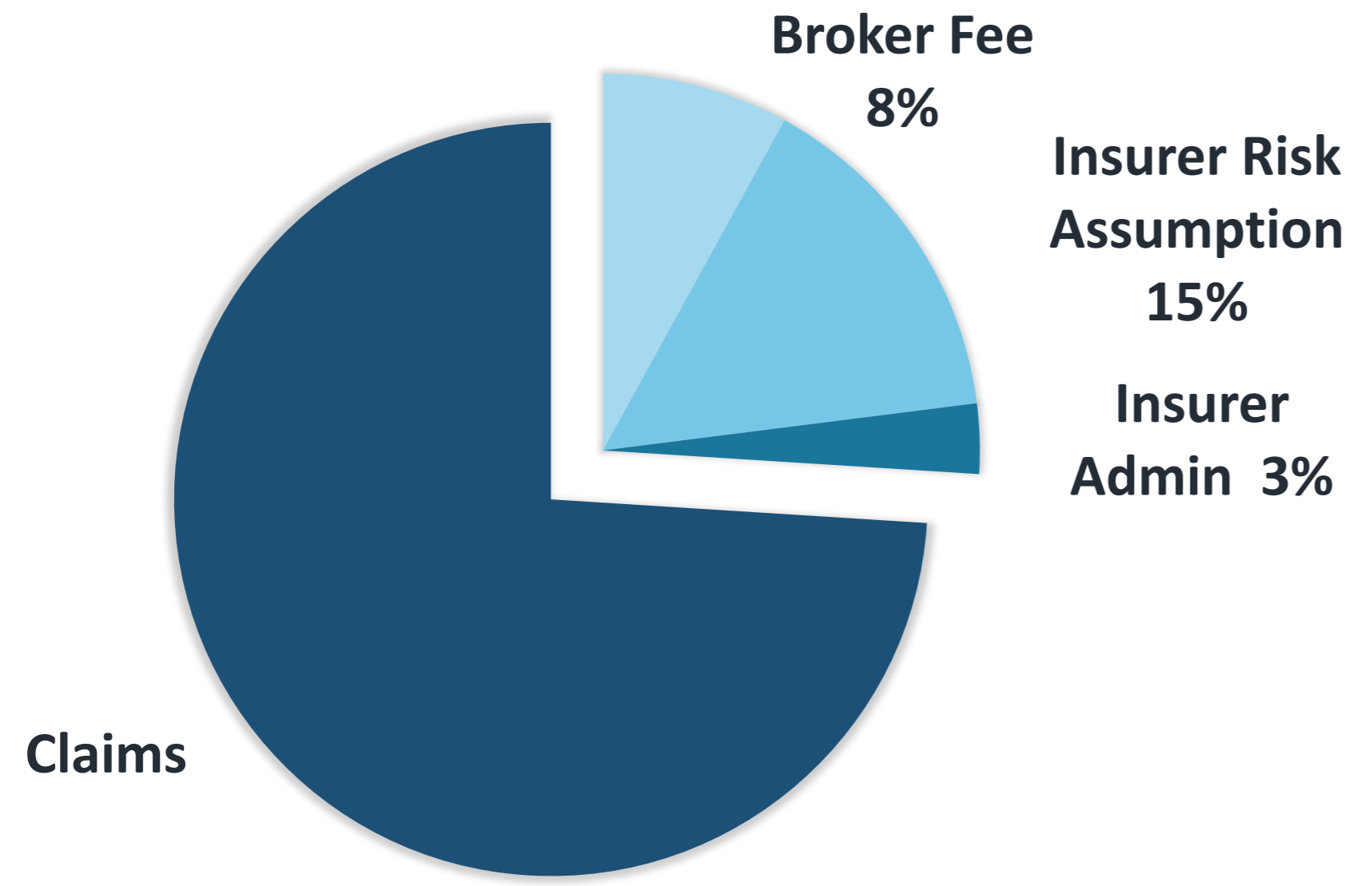
- Specializes in providing employee benefits plans to members of the Association of Manitoba Municipalities
- 114 municipalities, 312 conservation districts, along with various recreation districts, planning districts, weed districts, and retirees
- 1,977 employees/councilors insured; 4,987 total including dependents
- 354 retirees insured; 541 including dependents
- Self-insured since January 2005, with claim payment services provided by Manitoba Blue Cross
- Average annual premium increase 3.0% in the last 5 years, much lower than other group benefit plans
- 2020 total annual premium is now \$7,520,772, up from \$7,301,676 in 2019
- New plan enhancements and options provide members with flexibility

AMM Employee Benefits Return of Premium

- AMM offers members the opportunity to receive a return of premium based on the performance of the program
- Members have ownership / stake in the AMM Employee Benefits Program
- AMM returned \$800,000 to AMM Employee Benefits Program members in 2019
- Over \$2.4 million has been returned to members within the past 5 years
- Refund is allocated as a weighted average based on the plan members percentage of the total premium
- As of November 01, 2020 the accumulated surplus owned by municipalities is, \$817,949

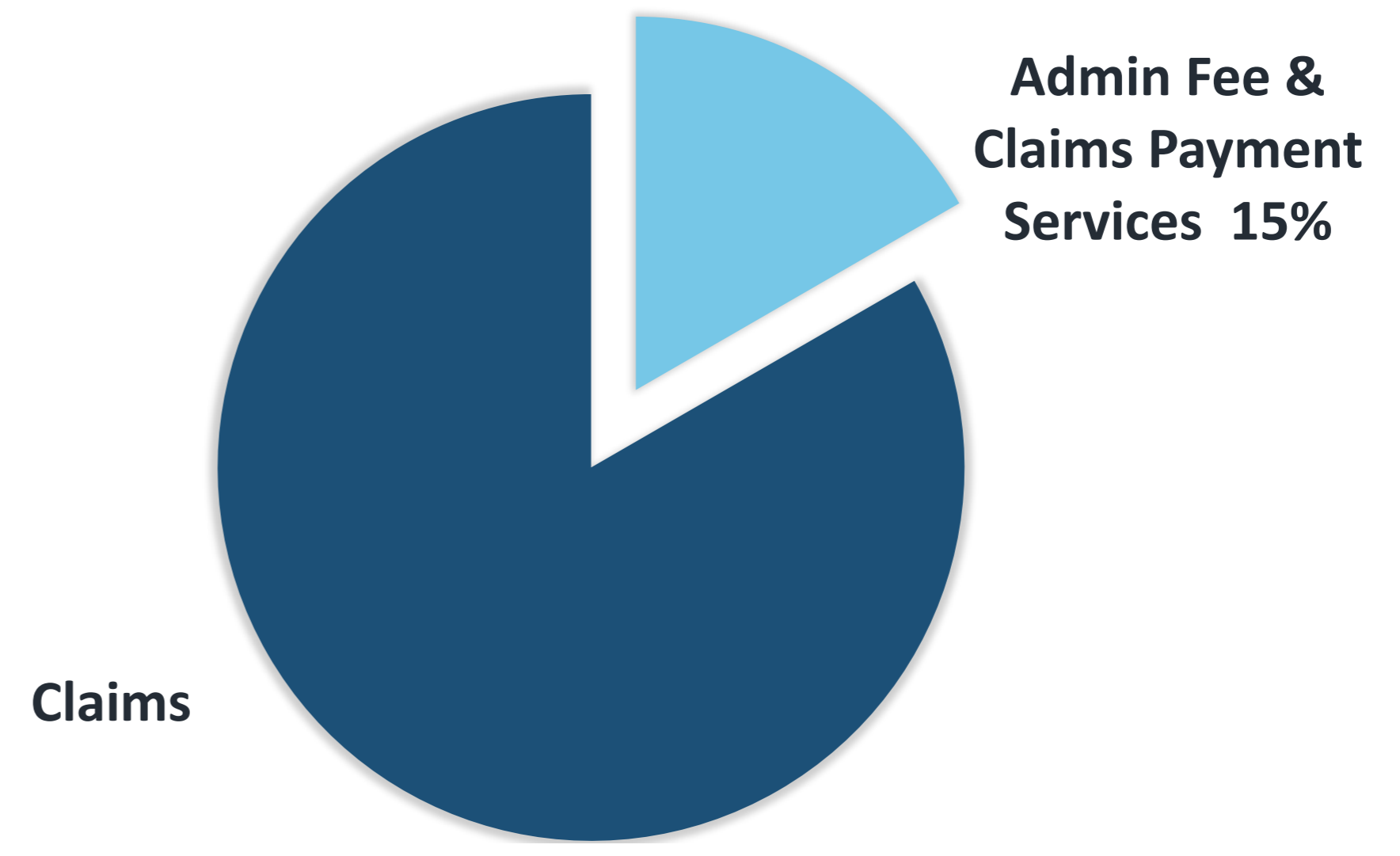
AMM Employee Benefits Pooled Structure

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 \$2.4 Million returned over the past 5 years

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

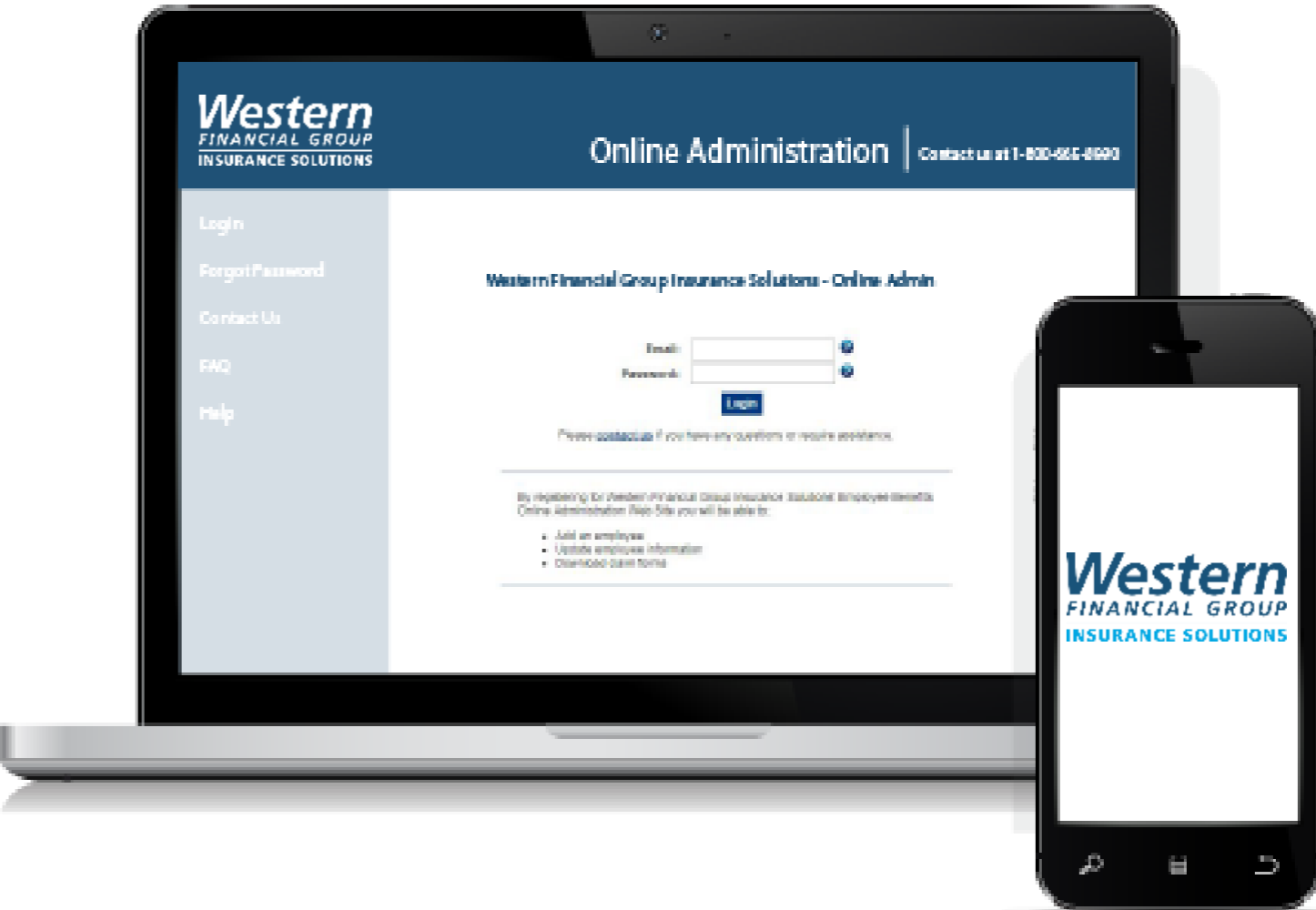
- The AMM Health & Dental Program continually researches new coverage options and strives to provide new and exciting features and enhancements.

AMM Employee Benefits Program Update

New Feature in 2020

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



Thank You