

Municipal General Insurance Programs Report

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Western Financial Group Insurance Solutions

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AMM Insurance Program

Property & Casualty

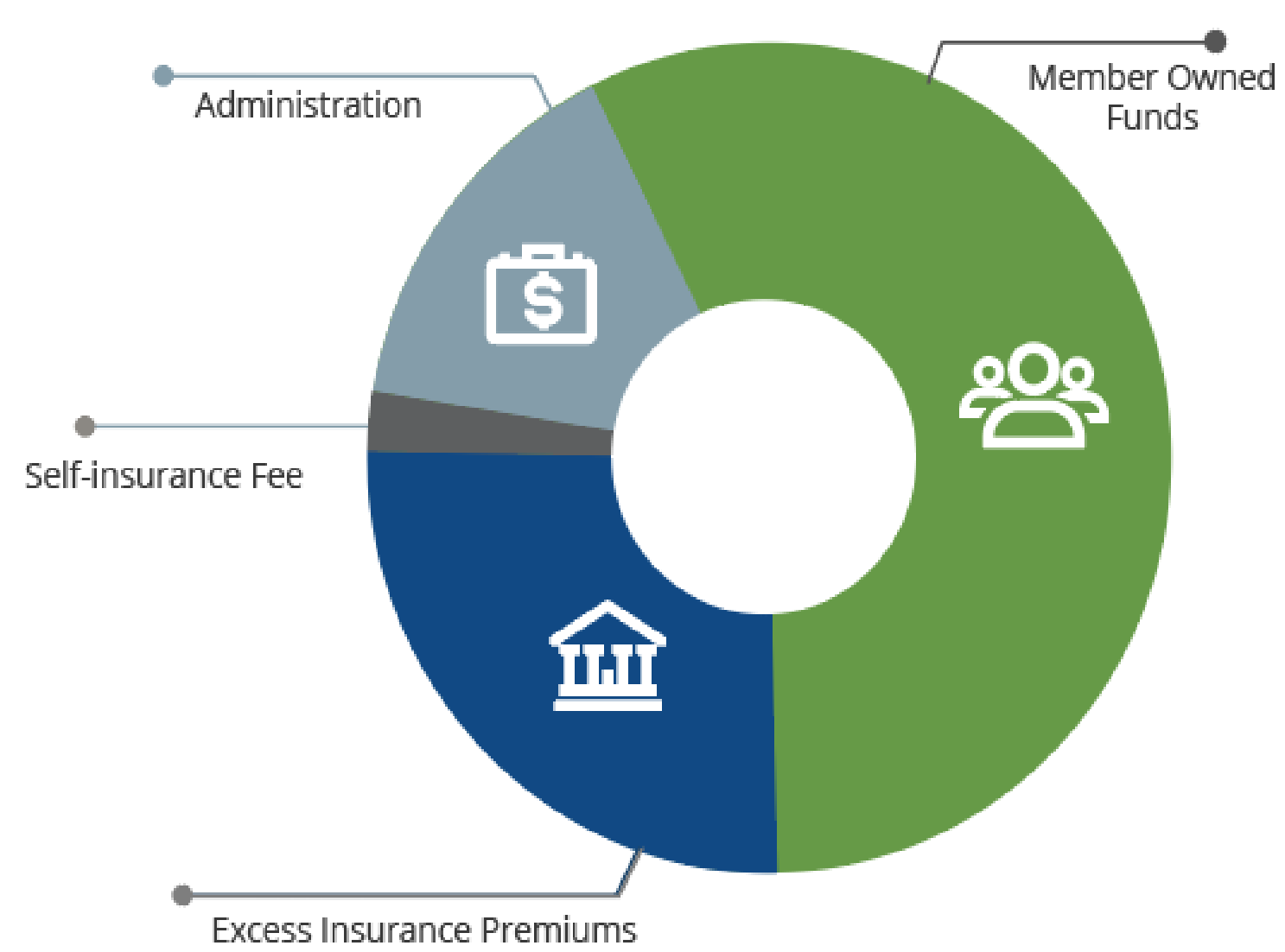


AMM Protected Self-Insurance History

- 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 **\$19.75 million** in premiums have 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.

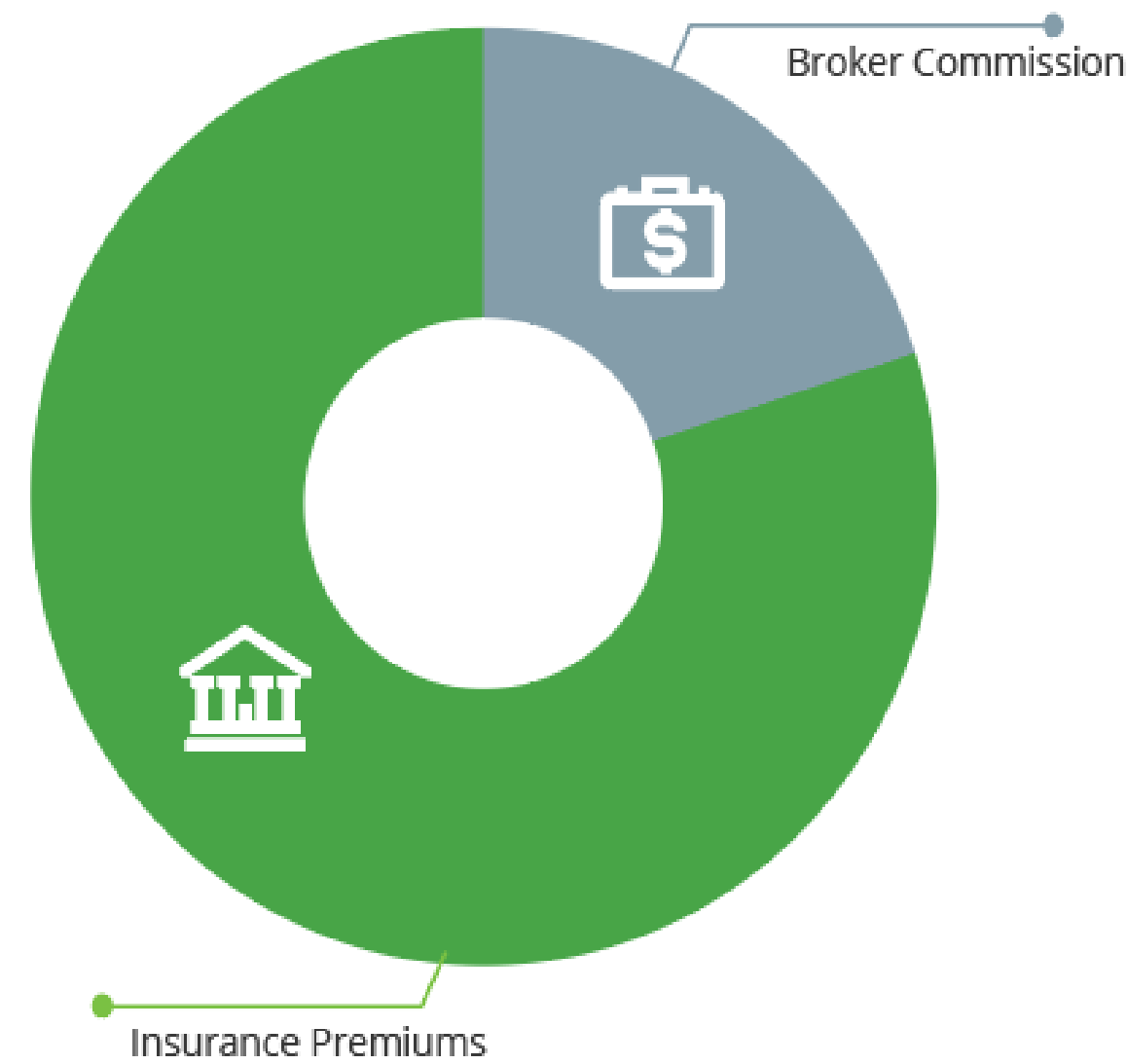
AMM Program vs. Traditional Open Market Structure

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

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

Advantages of Protected Self-Insurance Structure

- 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.
- Flexibility to Market Conditions: When excess insurers require rate increases, we react by shifting more premium into the AMM held loss pool – Dauphin hailstorms, 2019 & 2021 market conditions.

2022-2023 Loss Pool Structure

- Total: \$12,225,000 of member-owned funds
 - Protected Self Insurance Fund (PSI) =
 - \$9,000,000 – Property, \$625,000 – Equipment Breakdown
 - Self-Insured Retention Fund (SIR) =
 - \$2,500,000 – Liability, \$100,000 – Crime
 - PSI – Member-owned funds, held in trust, used to pay first portion of claims. Opportunity for return of premium
 - SIR – Member-owned funds, surplus stays away from insurers same as PSIP and is used to purchase coverage in concurrent years.
 - **Important: On annual basis actuarial review is completed to find best balance of member-owned funds vs. excess insurance dollars to provide the MOST VALUE to program participants.

Performance of Protected Self-Insurance Structure

- This unique hybrid structure continues to be best way for municipalities to collectively insure, in banding together as one collective team (strength in numbers) for specialized and tailored product designed for municipal exposures.
- Volatile open-market conditions mean it's vital that program continues to have full support of all municipalities.
- Strength in numbers results in lower premiums for all municipalities, better coverage, and returns of premium to invest back into communities.

Exchange Group – Independent Audit

- Spring 2022 - AMM Board of Directors engaged the Exchange Group – independent audit of AMM Commercial & Employee Benefits program.
- Exchange Group – Chartered Professional Accounting Firm – accounting, assurance, consulting services
- Completion of audit of not only AMM Program, but Cross Jurisdictional Review of other municipal provincial programs
- Secondary Stakeholder Engagement Survey Completed – 61% response rate
- High Level of Member Satisfaction –
 - 94% - Commercial Program
 - 90% - Employee Benefits Program
 - 92%- General Communication
 - 96% - Knowledgeable about municipal risks

Exchange Group – Independent Audit

- Opportunities (Commercial):
 - #1 Feedback: More Cyber Coverage, Building & Contents, Machinery & Equipment
 - Outcome: Three tiers of Cyber coverage, multiple forms of coverage for building & contents
 - Property: Opportunity to be flexible if a structure suffers a total loss – What is intention? Rebuild? Change to alternate occupancy?
 - Reach out to your dedicated Commercial Insurance Advisor – complete annual review of all lines of coverage.
 - Consultative Approach – We are here to SUPPORT!

Exchange Group – Independent Audit

- Opportunities (Commercial):
 - #2 Feedback: Claims Administration Response Time & Time to Settle
 - Outcome: Expanded from 1-2 adjusting firms employing 5-6 boutique adjusting firms, refined Service-Level Agreements (SLA) to help in combating the industry challenges as it relates to national claims adjuster staffing challenges. Focus is to ensure better service & protect member loss pool funds.
 - #3 Feedback: Understanding How Premiums & Determined & How Return of Premium Works?
 - Outcome: Increased communication & memo at renewal on how the loss pool operates, and how Return of Premiums are calculated

How are returns of premium calculated?

- Once a loss pool has matured, in that all claims payouts have been issued, program participants receive a portion of their premiums paid per dollar paid.
- E.g. “ABC Municipality” makes up 1.65% of total property premium during policy term out of all program participants. A \$4,000,000 surplus of funds are to be issued to program participants on renewal.
- $\$4,000,000 \times 0.0165 = \$66,000$ in return of premium
- *These are funds that on traditional open-market solution would go to **insurance industry** as profit.
- ***Focus and goal of AMM General Insurance Program is to provide best product and service, manage risk effectively, and return excess surpluses back to municipalities.***

2022 Commercial Insurance Marketplace

- Insurance companies make profit through investments and/or underwriting gains
- Low interest environment and financial market uncertainty requires insurers to return to underwriting gains
- Property & Casualty losses in Canada have increased significantly in recent years
- Insurer appetite has narrowed to industry classes that ensure profitability
- Hard-market conditions have existed since Summer 2019, now combined with COVID-19 pandemic, will continue throughout 2022.
- The very best insurance programs with low loss ratios have been experiencing **30-100% increases** across the country the past 2-3 years.

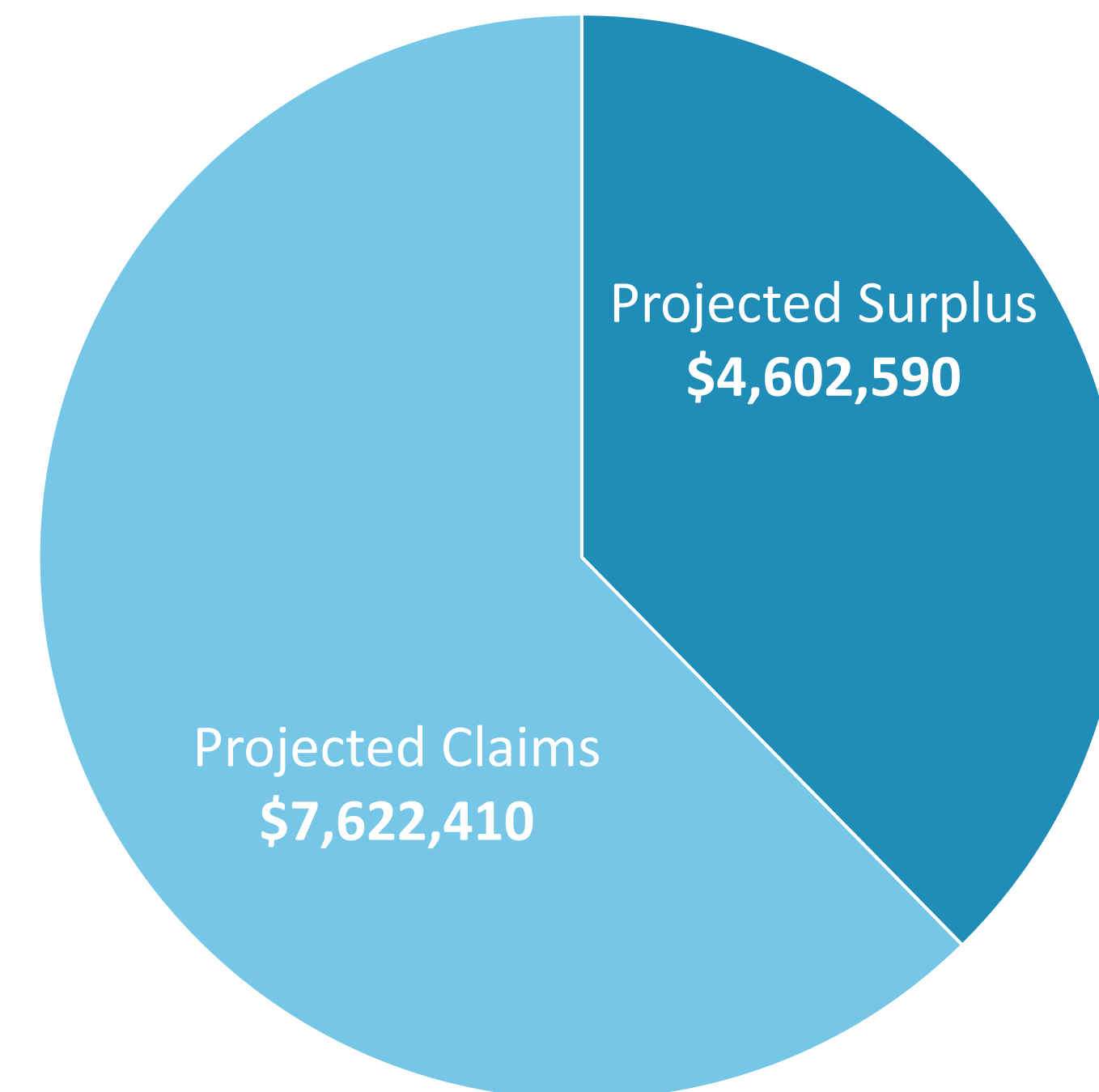
2023 Commercial Insurance Marketplace

- ▶ Insurer Capacity remains limited due to heavy increases in cost for re-insurance
- ▶ Reinsurance – Insurance for Insurance Companies (over and above)
- ▶ Catastrophic Losses - increases in frequency and severity nationally across past 5 years has resulted in general increases within Canadian marketplace (municipal or otherwise).
- ▶ Premiums are stabilizing from significant rate increases in past 36 months
- ▶ Inflation – Cost of all materials have increases – Insuring to Value is IMPORTANT
- ▶ 7-10% increase in building values standard amongst all insurers

Program Claims Experience

- 2016-17 - \$11,257,142
- 2017-18 - \$17,318,605
- 2018-19 - \$8,775,962
- 2019-20 - \$7,426,959
- 2020-21 - \$5,058,347
- 2021-22 – \$6,589,159
- 2022-23 – \$7,622,410 (Jan. 31st, 2023)
- Surplus of Funds – Keeping behind program IBNR,
- Once pools have matured and realized, excess funds are returned to program participants. THIS IS YOUR PROGRAM!

Loss Pool - \$12,225,000



Program Claims Experience - 2023

- Current Projected Surplus of almost **\$4.2 million** in loss pool funds from prior policy terms
- Funds that are member-owned, and not controlled by excess insurance companies
- Structure changes to loss pool for 2019 & 2020 renewal have provided greater stability and opportunity for surplus & returns of premium.
- 2021 Renewal - \$4,000,000 return in premium – largest in program history
- 2022 Renewal - **\$3,500,000** return in premium – 2nd largest ever in program history
- 2023 Renewal – TBD on exact return in premium – likely to be similar to last year.

2023 Commercial Renewal

- Anticipating a more stable renewal than in 2022
- Program is in healthy position with claims surplus, should result in record return of premium (April 1st, 2022)
- No indication of program insurers pulling, and negotiations remain ongoing
 - ▶ Work to add “A-Rated Insurer” to property portion
- Property replacement cost- values will see inflationary increase of at least 7% (cost of materials are increasing significantly -> lumber, steel, etc.)
 - ▶ Lumber: Western SPF increased 23.5% from Jan. 2022 to Jan. 2023
- Continue to work with your commercial insurance advisor to find right level and form of coverage for various structures

2023 Commercial Renewal

- AMM Abuse Policy –
 - ▶ Request from program insurers to ensure that existing Harassment policies (Manitoba Workplace Health & Safety) extend to include definitions of Abuse
 - Special focus to children, youth, vulnerable population
 - ▶ Memo issued requesting adopting framework of policy, tailor to existing infrastructure within respective municipality
 - ▶ Value and appreciate municipalities feedback
 - ▶ Webinar: Invite to be issued later this week to review policy, and address questions

Risk Management

- Risk Management remains a pivotal component to the success of the AMM General Insurance Program
- Complete risk management surveys of municipal buildings and recreational facilities
- 255 buildings surveyed in 2022
- Assist municipalities with questions regarding property claims and liability issues
- Provide bulletins and checklists for buildings that remain vacant/unused due to COVID-19
- 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)

Key Takeaways

- April 1st, 2023 renewal is trending to be positive, finalized terms to be agreed upon in coming weeks.
- When cost of insurance increases drastically, program has capabilities to respond and expand PSI / SIR to find the best value for program participants.
- Program structure last delivered largest return in history – stability amidst unstable times.
- Best in class – have not seen better outcome on Group Program in past 18 months.
- Third Party Audit of Program – Exchange Group – Spring 2022 – positive feedback on value, structure and services in comparison to other programs. Significant value to operate as a team.
- More important than ever that program participation remains stable amidst volatile marketplace.
- Risk Management continues to play a pivotal role in keeping frequency & severity of claims down.
- Participant Outreach – webinars, risk management, site surveys, council meetings will continue to grow and expand throughout 2022 year.

AMM Insurance Program

Employee Benefits



AMM Employee Benefits Program

Year	Pool Premiums
2023	\$9.1 million
2022	\$8.4 million
2021	\$7.7 million
2020	\$7.5 million
2019	\$7.3 million
2018	\$6.1 million
2017	\$5.8 million
2016	\$5.6 million
2015	\$5.1 million
2014	\$4.5 million
2013	\$4.7 million

2013 the AMM Employee Benefits Program pool was just over **\$4.7 million** dollars; 2023 pool is now over **\$9.1 million** dollars. Growth of **\$4.5 million** or **100%** in a 10-year period.

Plan participation in 2022 is now over **80%** whereas, participation in 2013 was only **50%**.

The increased participation not only provides premium growth for the AMM Employee Benefits Program but importantly provides an enhanced level of protection against large health claims for all members. This provides a safety net for those Municipalities who may experience a bad year of claims.

AMM Employee Benefits Program – Renewal History

Year	Increase
2023	4.70%
2022	4.50%
2021	2.00%
2020	2.00%
2019	3.40%
2018	6.50%
2017	4.70%
2016	5.50%
2015	2.50%
2014	0.00%
2013	0.00%
Total	35.8%

Over 10 years, the AMM Employee Benefits Program has increased at an overall **36%** when compared to other insurers, this could have been expected at over **60%**.

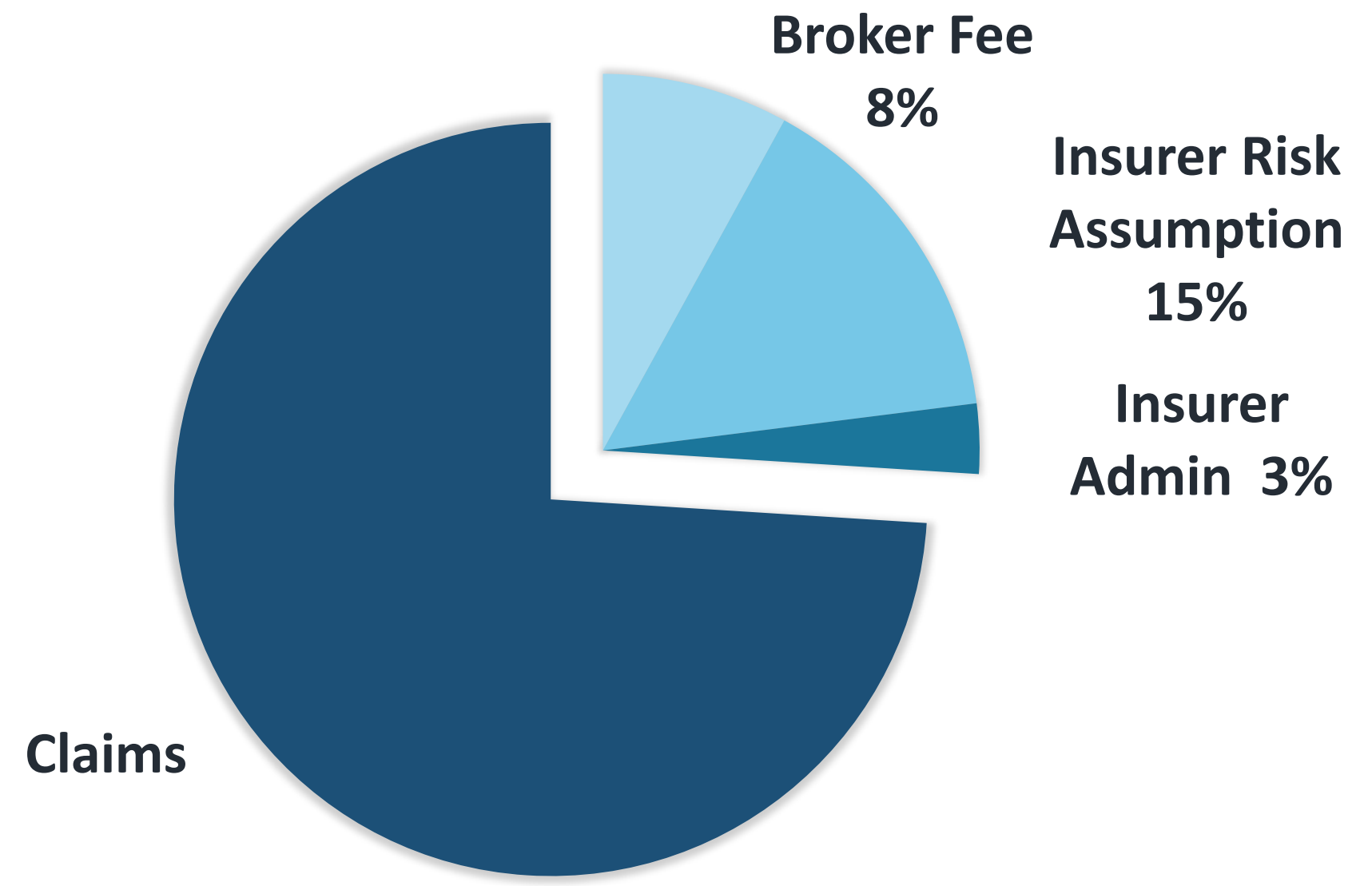
2013 and 2014 collectively seen no increase to rates due to the 2015 amalgamation. 2015 provided newly amalgamated Municipalities with only a **2.5%** increase to health and dental rates.

2019 – 2021 began to provide members with lower increases compared to years prior. This was due to program growth; 2019 marked a historic year of growth for the AMM program since its inception. 2019 annual premium ending **\$7,301,676** vs. 2018 total annual premium of **\$6,163,517**; growth of **\$1.1 million or 18%**.

Due to the COVID-19 pandemic, renewal increase for 2023 was higher than the trending normal due to closures and increased claims usage.

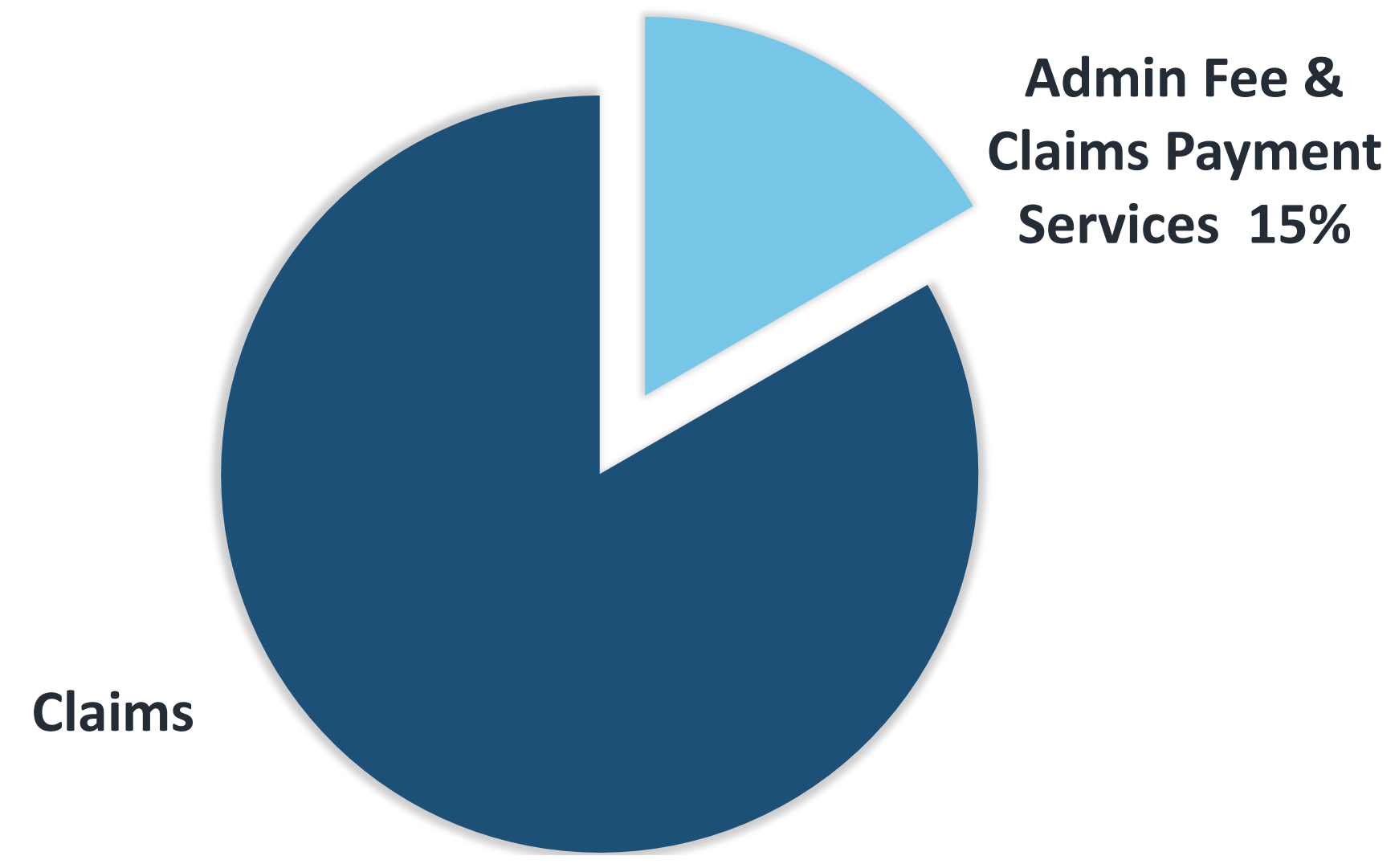
AMM Employee Benefits Pooled Structure

Traditional Market Model



- Expense factor = .26 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 \$4.0 Million returned over the past 8 years

AMM Employee Benefits Program- Return of Premiums

Year	Return
2023	\$300K
2022	\$300K
2021	\$800K
2020	\$800K
2019	\$800K
2018	\$250k
2017	\$250K
2016	\$500K
Total	\$4.0 million

\$300,000 will be provided back to members in spring of 2023, just over **\$4.0 million** dollars has provided back to members over 8 years. Without this structure, these funds would have remained in the insurance industry as profit.

Return of Premiums are allocated as a weighted average based on the members percentage of the total premiums, pro-rata. The more you contribute to the pool, the higher the return based on the amount being returned for that year. Example:

*Municipality remits \$135K annually; approx. return would be **\$4,500 at an 300K return.***

Note: Return of Premium's is based only on health and dental premium. Some members have the insured benefits (Life, AD&D, and Disability) through the AMM Program but those are not included as calculation.

AMM Employee Benefits Program – Plan Enhancements

Virtual Health Care

– Effective **October 01, 2022**, all members will have access to virtual health care, premium free.

Travel Top-Up

- Effective **October 01, 2022**, members now have the option to top up their current travel policy through MBC. This includes retirees.

TogetherALL

- Effective **January 01, 2023**, all AMM Insurance Program members are provided access to an online mental health platform, premium free.

Clinical Psychology *expansion

- Effective **January 01, 2023**, the psychology benefit will now be expanded to allow registered social workers and counselors to be an eligible resource.

Expanded Direct Billing in the US

- Effective **January 01, 2023**, members will be eligible for direct billing with the 95 per cent of physicians, hospitals and clinics across the U.S. who are a part of the CanAssistance network.



Questions?



Thank You

