

Municipal General Insurance Programs Report

February 11th, 2022



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 **\$16.25 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

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

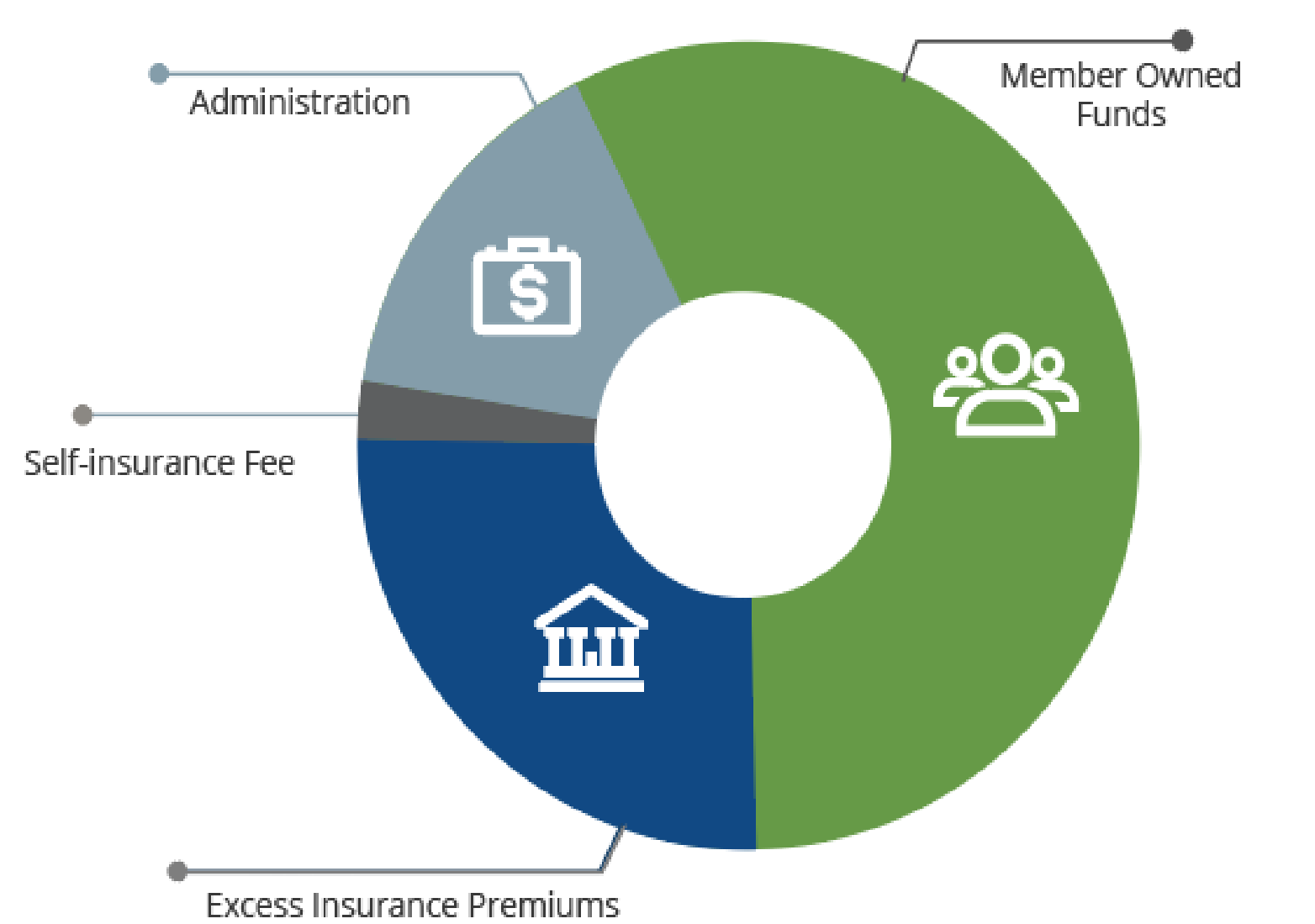
2. Excess Insurers

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

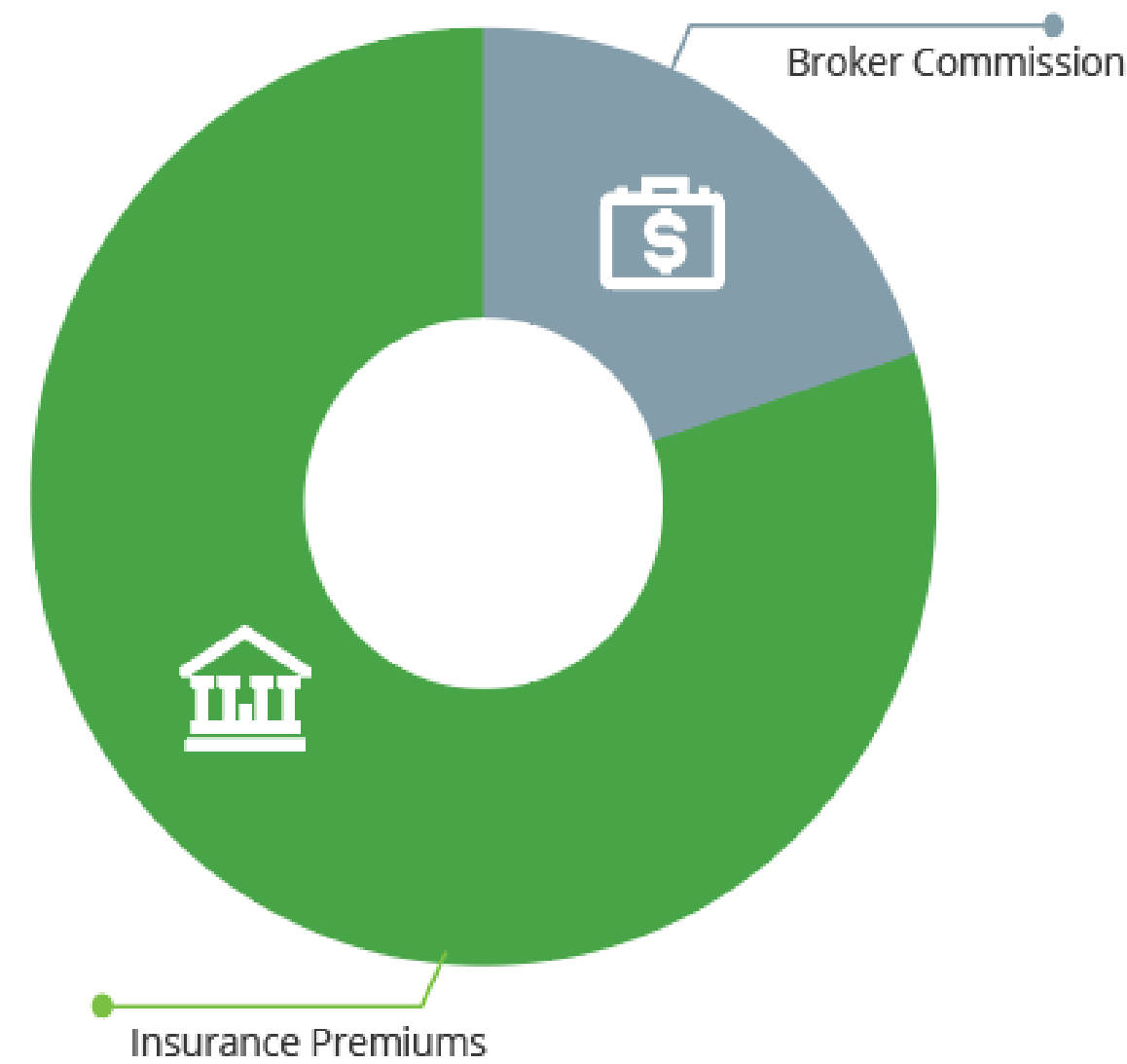
AMM Program vs. Traditional Open Market Structure

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

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.

Performance of Protected Self-Insurance Structure

- Benefit of PSIP structure allows for flexibility and adjustments to combat market conditions, in order to obtain best rates / right level of coverage for municipalities.
- Best example is 2019 restructuring of AMM Held Loss Pool
- 2019: \$6,600,000 member-owned funds
- 2020: \$11,125,000 member-owned funds (70% increase in funds **away from insurance market**)
- Result: While there was an increase in premium upon renewal, shifting more of those funds away from insurance companies control, served as a “Win-Win” for members in two ways
 1. Less dollars to insurance companies requiring higher rate increases = less overall increase in premium
 2. More dollars back to municipalities when surplus exist (RESULT: 2020 Renewal \$3,265,000 Return of Premium = LARGEST IN PROGRAM HISTORY)

2021: \$4,000,000 Return of Premium!

2021-2022 Loss Pool Structure

- Protected Self Insurance Fund
 - \$9,000,000 – Property, \$625,000 – Equipment Breakdown
- Self-Insured Retention Fund
 - \$2,500,000 – Liability, \$100,000 – Crime
 - Total: \$12,225,000 of member-owned funds
 - PSIP – 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, 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.

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 is able to be returned back to 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.***

2021 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 24 months.

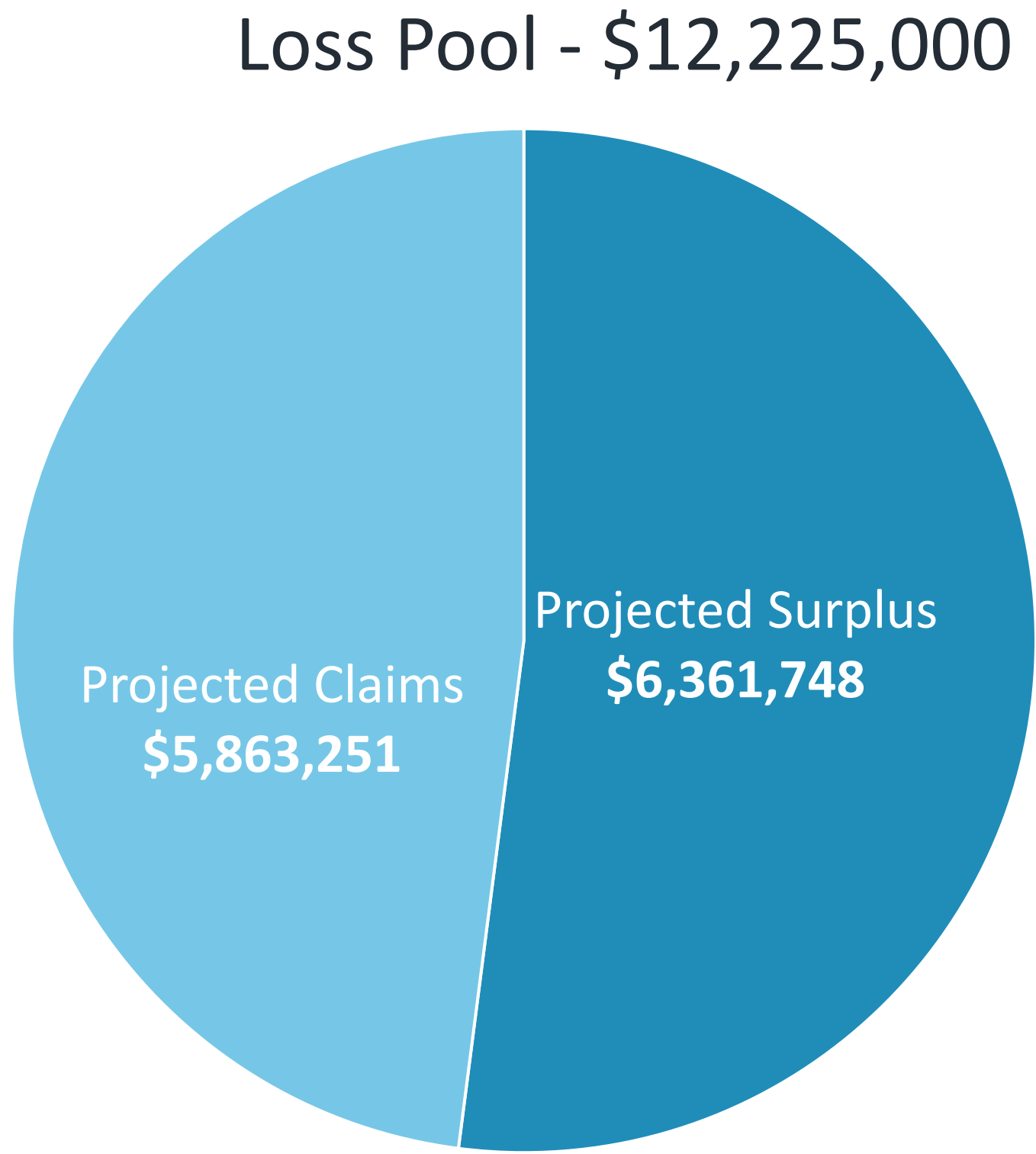
2022 Commercial Insurance Marketplace

- Pandemic & Higher Frequency and Severity of Claims from Natural Disasters in past years
 - 2020 - **\$2.4 billion in claims** due to severe weather – 4th highest loss year in Canadian history
 - 2016 - Fort McMurray – **\$3.6 billion in claims** - largest natural disaster in Canadian history
- Premium increases are happening to municipalities from coast to coast
 - BC – Sunshine Coast Regional District – **46%** increase ins premiums
 - NFLD – St. John's – **88%** increase in premiums

Program Claims Experience

- 2016-17 - \$10,841,217
- 2017-18 - \$14,974,969
- 2018-19 - \$9,565,326
- 2019-20 - \$7,281,481
- 2020-21 - \$5,512,975
- 2021-22 – \$5,095,723 (Jan. 31st, 2022)
- Projected Claims - \$5,863,251
- Projected Surplus - \$6,361,748

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



Program Claims Experience - 2021

- Current Projected Surplus of almost **\$6.36 million** in loss pool funds
- 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 ever in program history!
- 2022 Renewal – TBD on exact return in premium – likely to be similar to last year.

2022 Commercial Renewal

- Anticipating a more stable renewal than in 2021
- No indication of insurers pulling out of market altogether, and negotiations remain ongoing
- Program is in healthy position with claims surplus, should result in record return of premium (April 1st, 2022)
- Property replacement cost- values will see inflationary increase of at least 5% (cost of materials are increasing significantly -> lumber, steel, etc.)
 - ▶ Lumber: Western SPF increased 24% from Jan. 2021 to Jan. 2022
- Continue to work with your commercial insurance advisor to find right level and form of coverage for various structures.

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
- 100 buildings surveyed in 2021
- 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)

AMM Infrastructure Grant – November 30th, 2021

- Western Financial Group Communities Foundation celebrated its 20th anniversary of donating to communities across Canada
- Pleased to announce the first inaugural Association of Manitoba Municipalities Infrastructure Grant created.
- \$5,000 grant donated to municipality by random draw for a renovation or build of a publicly owned asset to improve their community.
- 63 applications received, fortunate to be able to draw two winners this year
- 2021 Winners:
 - **Rural Municipality of Cartier**
 - **Hamiota Municipality**
- **Application for 2022 Infrastructure Grant will be issued in Oct.**



Key Takeaways

- April 1st, 2022 renewal is trending to be positive, finalized terms to be agreed upon in coming weeks.
- Program structure has delivered on largest return in history – Stability amidst unstable times.
- Best in class – have not seen better outcome on Group Program in past 18 months.
- Most difficult market conditions have seen in 25+ years in the industry.
- 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

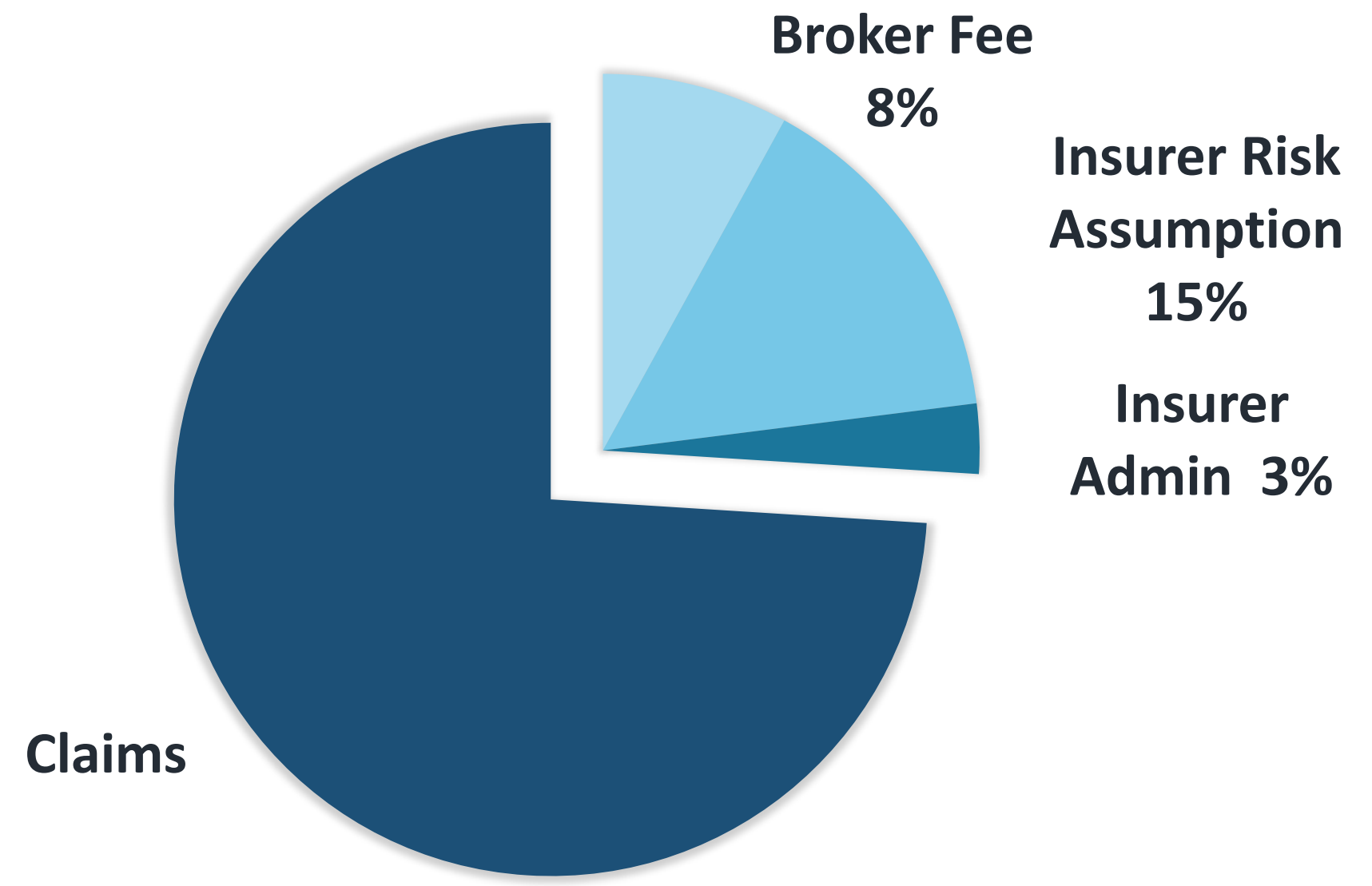


AMM Employee Benefits Program

- Specializes in providing employee benefits plans to members of the Association of Manitoba Municipalities
- 112 municipalities participate including, watershed districts, recreation districts, planning districts, weed districts, and retirees
- 2,023 employees/councilors insured; 4,987 total including dependents
- 351 retirees insured; 487 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
- 2022 total annual premium is now \$8,130,468
- New plan enhancements and options provide members with flexibility

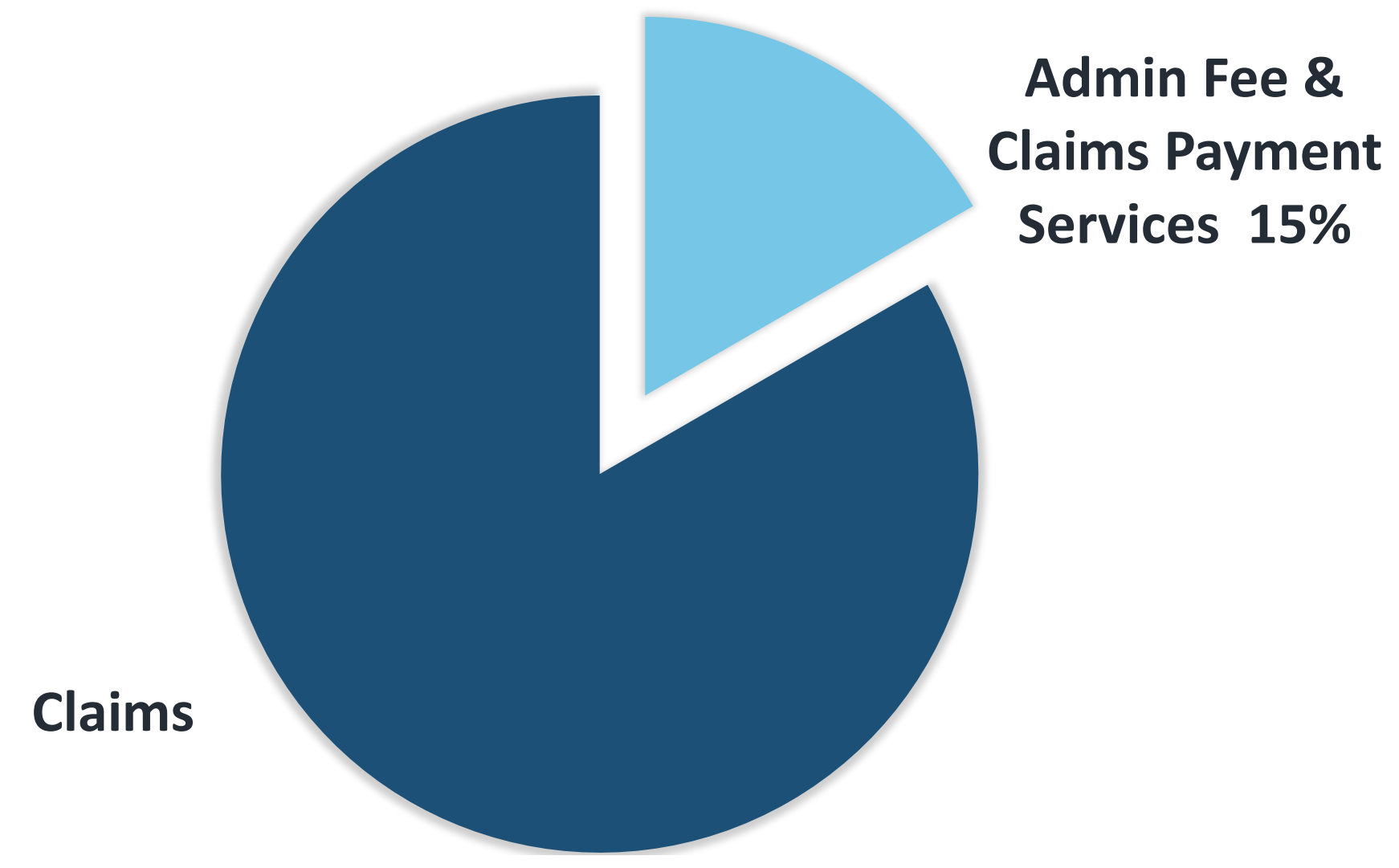
AMM Employee Benefits Pooled Structure

Traditional Market Model



- Expense factor = .26 cents per \$1
- Target Loss Ratio = 75%
- No chance for Return of Premium

AMM Insurance Model

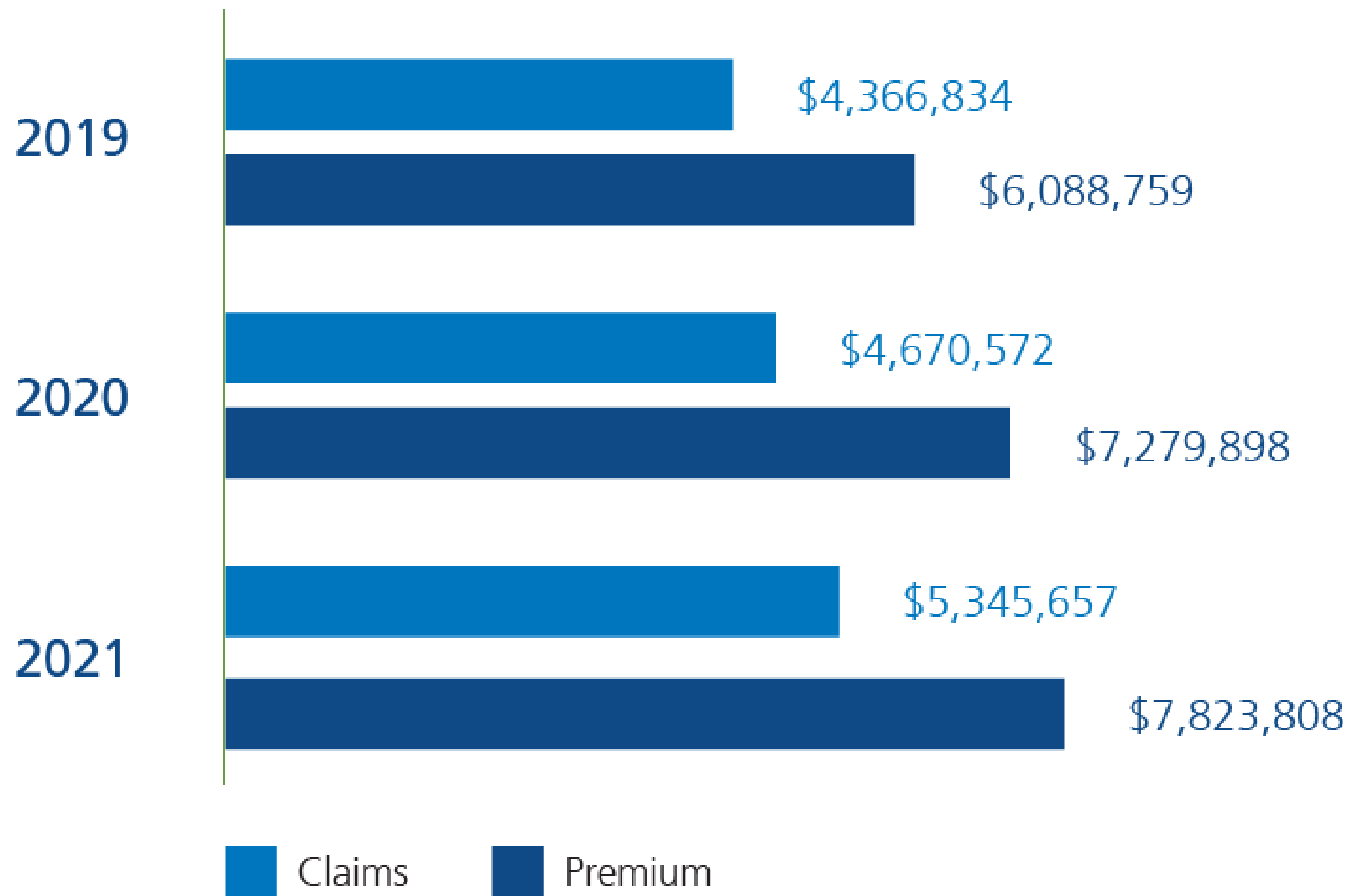


- Expense factor = .15 cents per \$1
- Target Loss Ratio = 85%
- Surplus on Claims Returned to AMM Participants
- Over \$3.2 Million returned over the past 6 years

AMM Employee Benefits Program – Renewal re-cap

- 2022 renewal – 4.5% increase to health and dental rates
- Higher than normal claims due to COVID-19 closures
- Claims increase of 14% from 2021 or \$675,082
- Pool Paid Loss Ratio (PLR) of 71.4% up from 64.2% from 2021
- \$300,000 will be provided back to members in spring
- New plan additions available; Wellness Accounts & Virtual Health Care

AMM Employee Benefits Program – Premiums & Claims



2019
 Premium growth - \$347,097
 Claims increase of 12%

2020
 Premium growth - \$1,292,139
 Claims increase of 6%

2021
 Premium growth - \$543,909
 Claims increase of 14%

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 will be returning \$300,000 to AMM Employee Benefits Program members for 2021
- Over \$3.2 million has been returned to members within the past 6 years
- Refund is allocated as a weighted average based on the plan members percentage of the total premium
- As of February 01, 2022, the accumulated surplus owned by municipalities is, \$540,000

Thank You

