

Municipal General Insurance Programs Report

Western Financial Group Insurance Solutions

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AMM Insurance Program

Property & Casualty

Agenda

- ✓ Brief Program Overview - Commercial
- ✓ 2019 Policy Renewal - Review
- ✓ Hard Market Conditions – Public Entities & Group Programs
- ✓ 2019 Program Performance
- ✓ Employee Benefits – Overview & Update

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
- Program has evolved and changed throughout the decades to react and change to municipalities needs and exposure.
- Since 2010, almost \$9 million in premium has been returned from the AMM held loss pool back to municipalities; in a traditional open-market these premium dollars 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

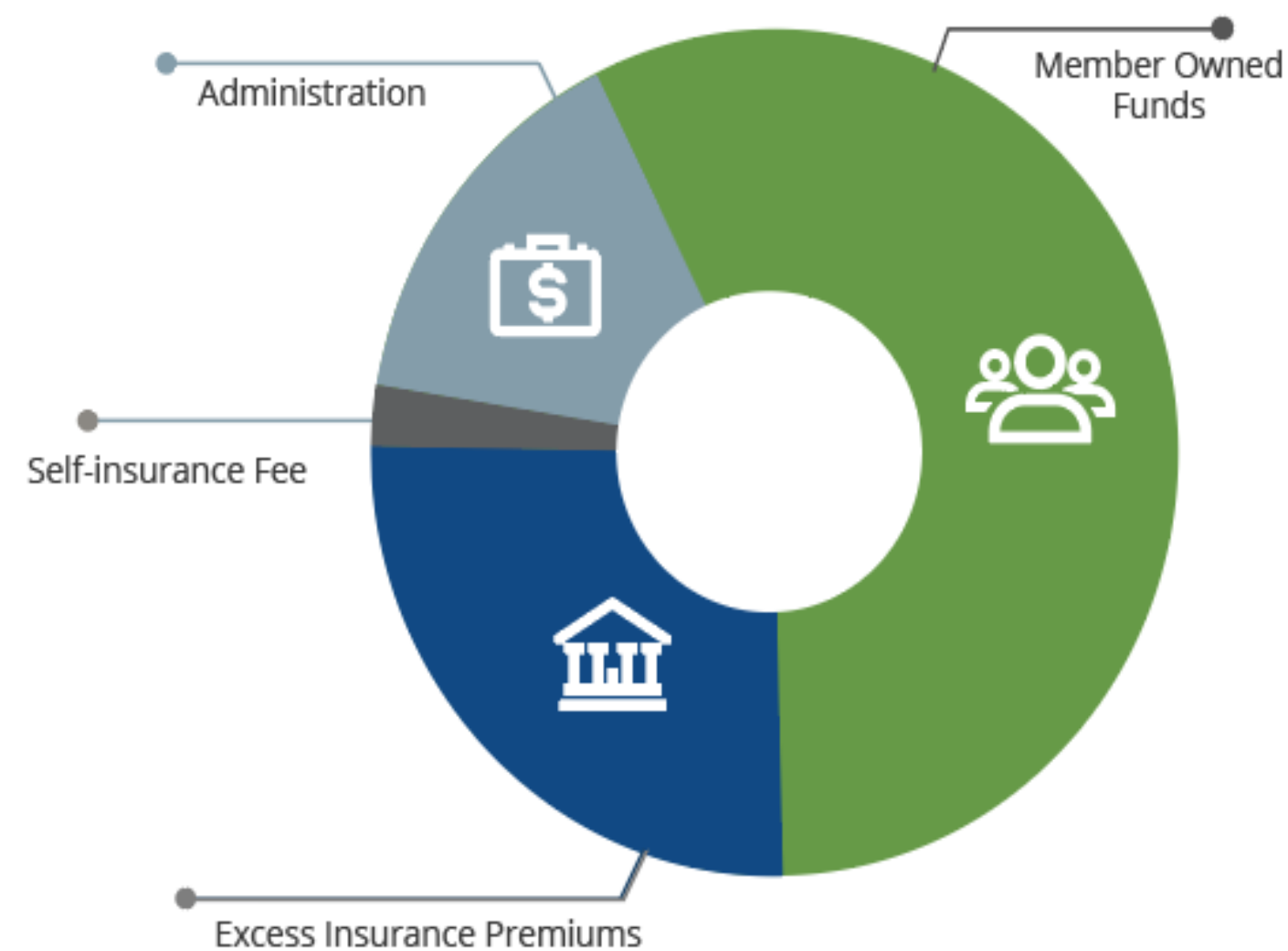
2. Excess Insurers

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

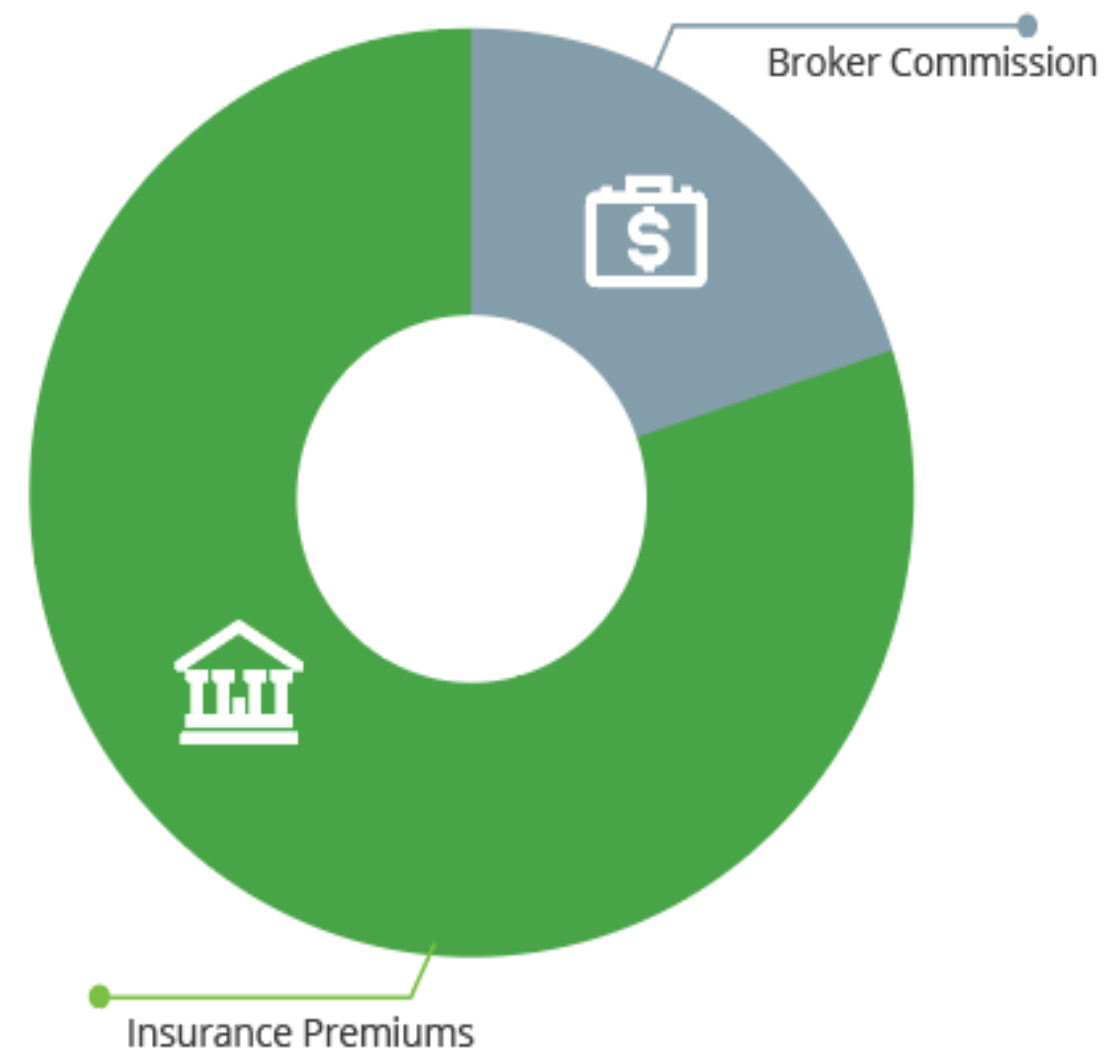
AMM Program vs. Traditional Open Market Structure

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

- **Less Control to Outside Insurance Market** - When excess insurers require rate increases, we react by shifting more premium into the AMM held loss pool – 2007 Dauphin hail storms, 2019 market- conditions
- **Ownership & Equity** - The larger loss pool results in enhanced levels of ownership & control for all municipalities, especially during increasing rating pressure from Insurers
- **Returns of Premium** - The AMM held loss pool provides the opportunity for returns of premiums; the larger the loss pool the greater the opportunity for Program returns

April 1, 2019 Property & Casualty Renewal

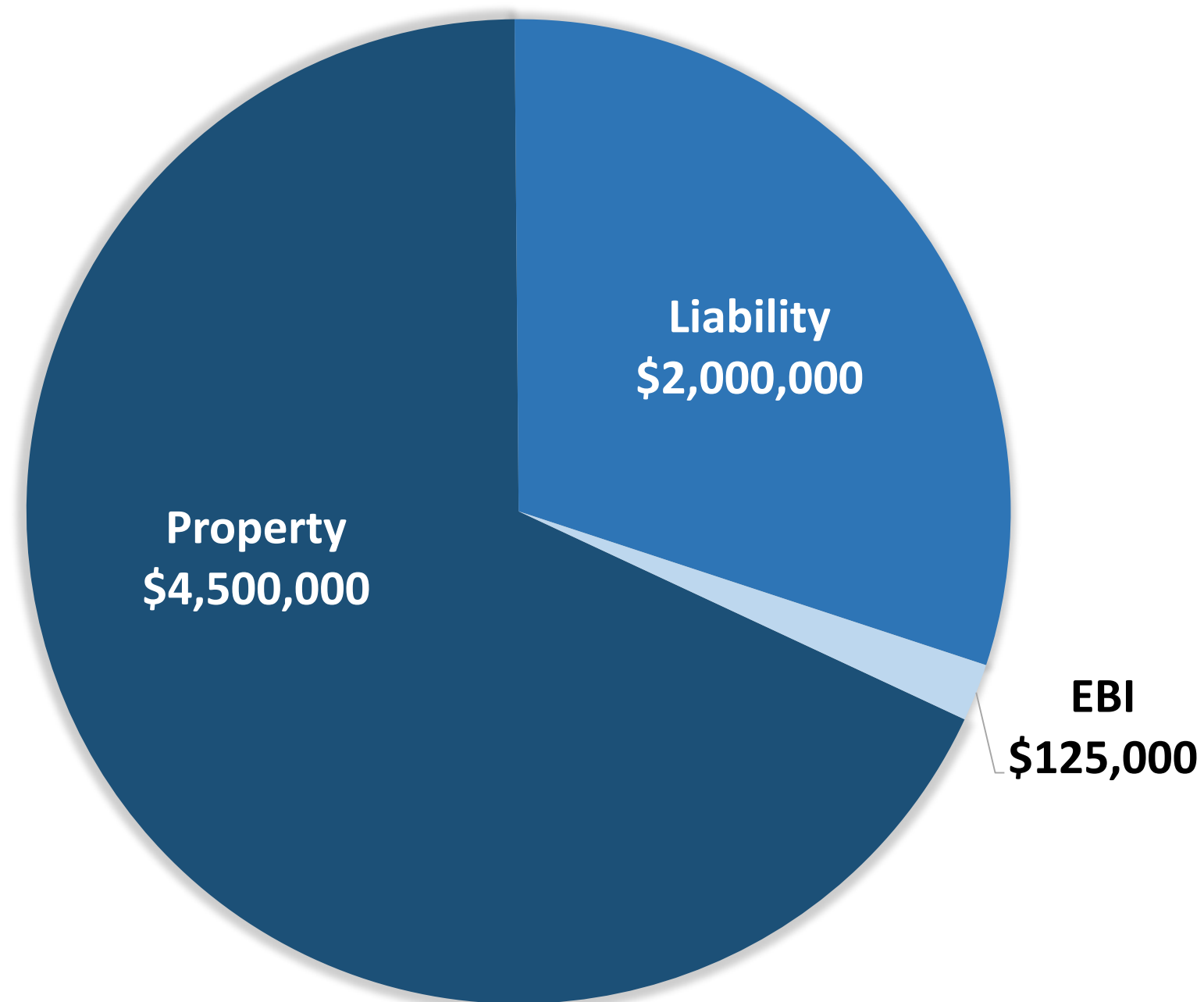
- Total claims in the 2018-19 policy year were \$9,857,533
- Property loss pools exhausted for 3rd consecutive term (2018 Loss Pool: \$4.5 million)
- Extremely high insurer Property loss ratios of; 131.9%, 317.2% and 220.2% in last three years
- Insurers requested 50% rate increase based on high claims 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

April 1, 2019 Property & Casualty Renewal

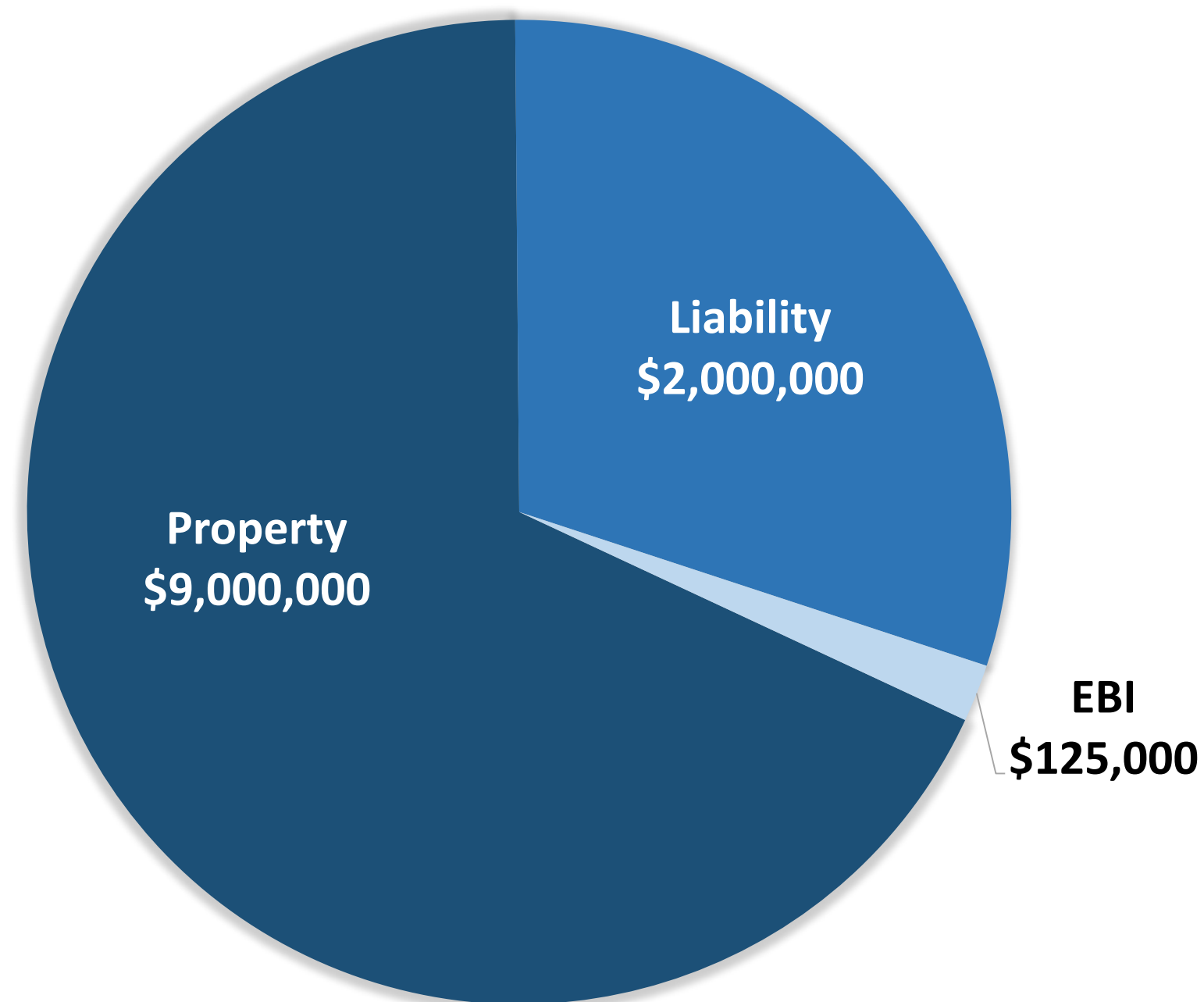
- \$1,605,333 return of premium from Self-insured retention pool
- \$600,000 return of premium from Employee Benefits program
- \$1,310,127 “AMM Rate Stabilization” input
- Result: 12% increase in overall cost of insurance
- \$8,979,933 in returns of premium have been issued back to municipalities since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

AMM Loss Pool – 2018 vs. 2019

Loss Pool - \$6,600,00



Loss Pool - \$11,125,000



- 90% of increase to program went to AMM Loss Pool
- Traditional Market – increase would be directly to insurance companies
- AMM: Less control to insurers, more control to AMM participants
- More stability & opportunity for returns in low claiming years

Hard Market - Conditions

- **Overview – 2018 – 100% loss ratio, 2019 – 132% loss ratio (Q1 & Q2) for insurers**
- **Less Insurer Participation** – Insurers are more selective in risk classes. Lloyd's of London retracting from market (MGA's)
- **Instability** – Will drive rate increases, or cancel risk classes (mid-term OR at renewal).
- **Group Programs vs. Traditional Brokerage (Individual)** – Both are not immune from hard market conditions. Impact is less on group program (strength in numbers & loss pool), long-term stability in pricing and placement with insurers easier than through standard broker-insurer model.
- **Control to Insurers** - When excess insurers require rate increases, we react by shifting more premium into the AMM held loss pool – e.g. 2007 Dauphin hail storms, 2019 market conditions
- **Ownership & Equity** - The larger loss pool results in enhanced levels of ownership & control for all municipalities, especially during increasing rating pressure from Insurers

Hard Market – Public Entities & Group Programs

- **Group Programs** –yielding less than 40% loss ratios (low), insurers are still requiring significant rate increases, or do not have appetite for long-held classes of business
- **ASBIE** – Alberta School Boards Reciprocal Insurance Exchange
- Hardening of Insurance Market lead to dramatic increase in rates in AB
- **Despite pooling of funds, many faced significant rate increases;**
 - ▶ Edmonton Public Schools – 35% increase
 - ▶ Fort McMurray Public Schools – 40-50% increase
 - ▶ Wolf Creek Public Schools – 276% increase

Claims – AMM General Program vs. Traditional Market

- **Traditional Market** – Most providers cannot offer a blanket building limit or No-Co Insurance Clause
- **Co-Insurance Clause** – insurance companies require you to insure to a minimum limit (often 90%), otherwise if underinsured, you will share in the loss (partial or total loss) in excess of your deductible.
- **Example: A building has a \$1,000,000 replacement cost, but is currently only insured to \$400,000, the policy has a 90% co-insurance clause. A windstorm causes \$50,000 in damage to the roof.**

Minimum Amount required to be Insured = \$1,000,000 x 90% = \$900,000

$$\frac{\$400,000}{\$900,000} \times \$50,000 \text{ Partial Loss} = \$22,222 \text{ Settlement}$$

Municipality would share in loss for being underinsured (deductible + \$27,798 shortfall)

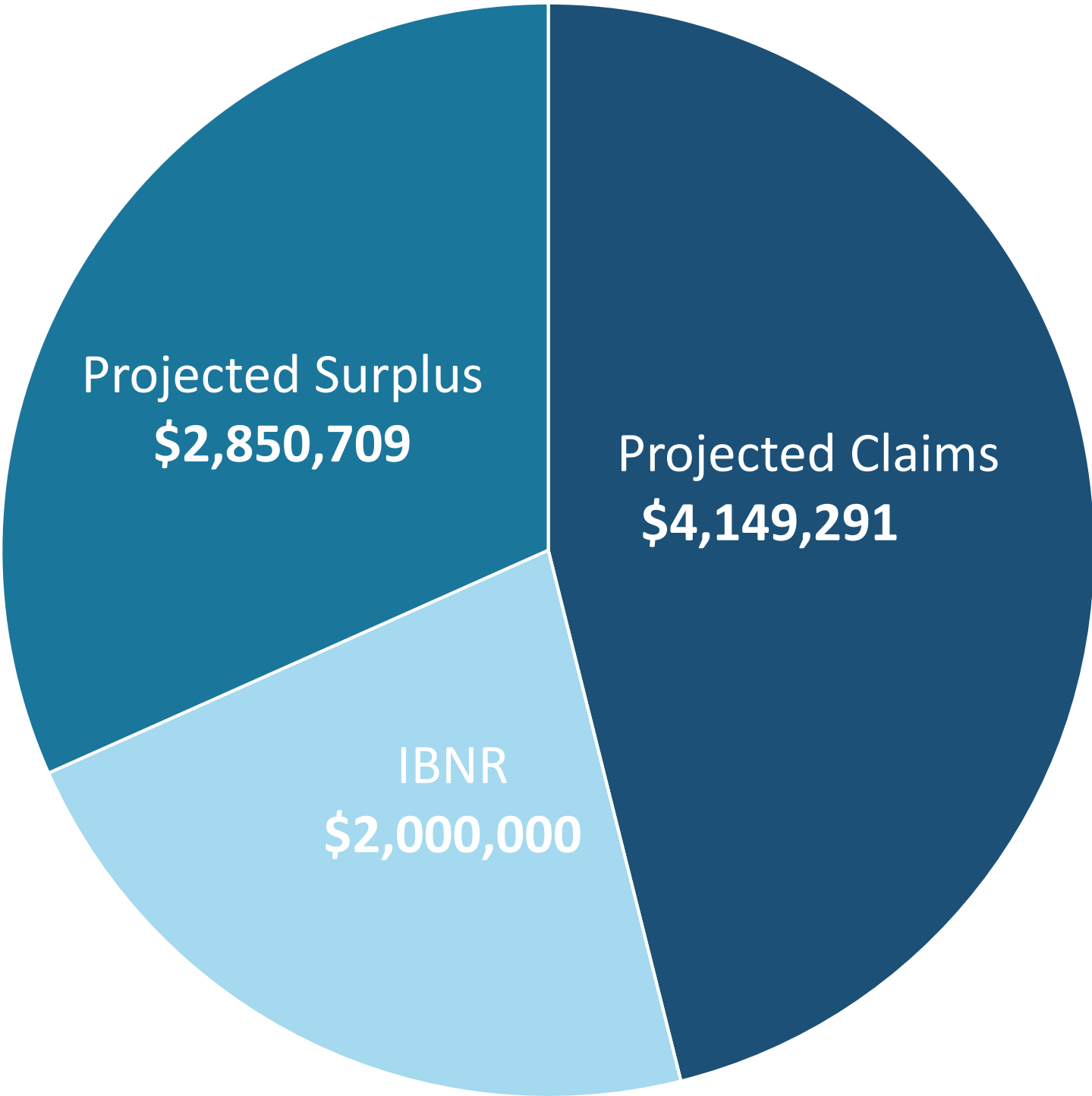
Program Claims Experience - 2019

Year	Amount
April 1, 2013-14	\$7,447,714
April 1, 2014-15	\$5,784,609
April 1, 2015-16	\$5,022,147
April 1, 2016-17	\$11,046,860
April 1, 2017-18	\$13,969,097
April 1, 2018-19	\$9,857,833
6 Year Average	\$8,854,710
10 Months to January 31, 2019	\$4,961,778
Projected Claims – 2019	\$5,744,977

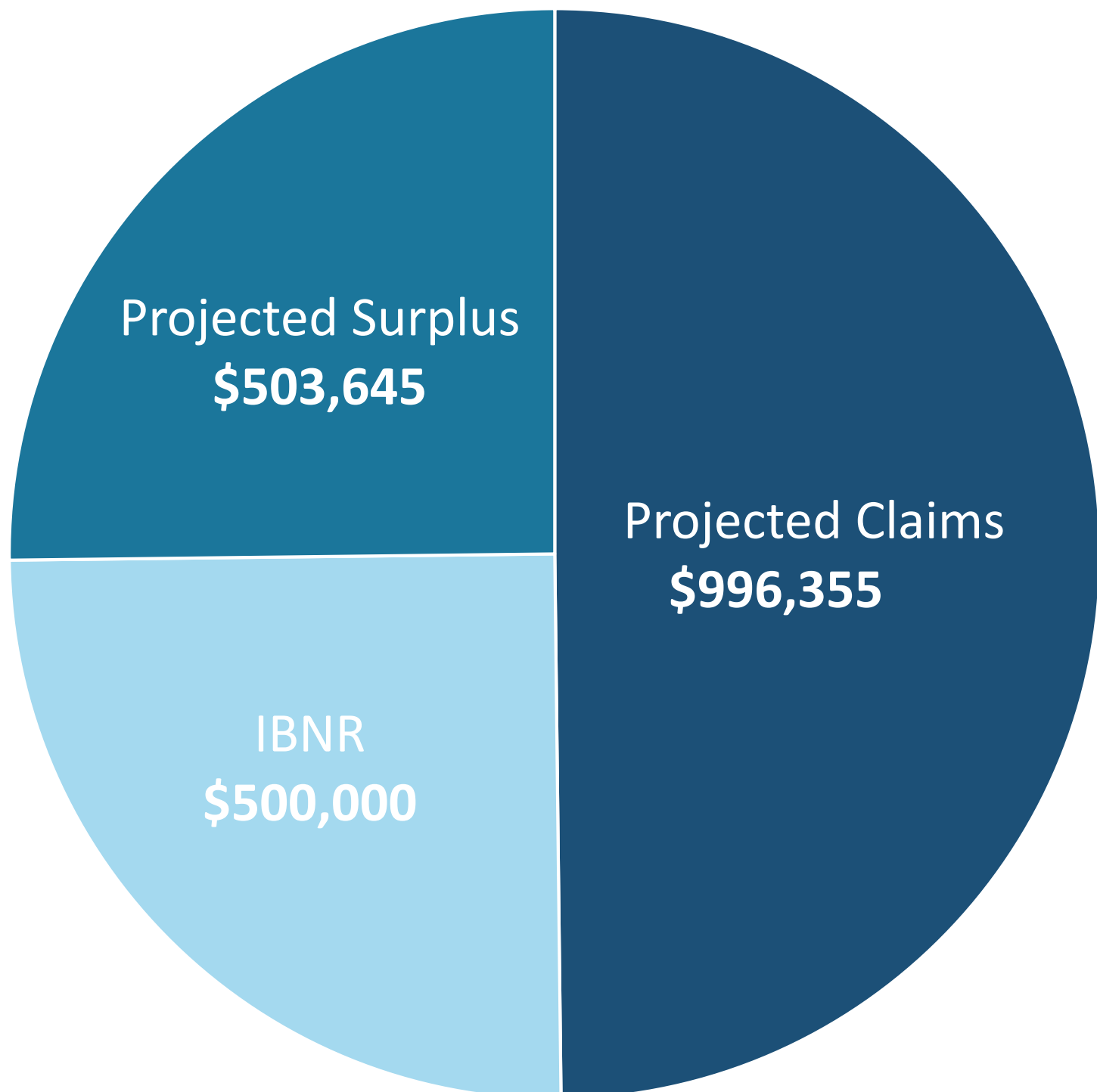
Program Claims Experience - 2019

Loss Pool Projections

Property - \$9,000,000



Liability - \$2,000,000



EBI - \$125,000



AMM 2020 Program Renewal

- Marketing of Program is in full swing as of early January
- Ensure rates & coverage within program continue to be best available for municipalities
- Surplus of Funds – leaves AMM in an enviable position for renewal (\$3,354,354 surplus) as of February 1st, 2020.
- Proposed changes to EBI Loss Pool – to increase from existing \$125,000
- Frequency and severity of equipment breakdown losses are at highest levels in program history, necessary to amend to improve loss pool performance / reduce excess insurance cost
- Projections of Premium & Returns of Premium for each municipality – not available at this time, will be issued immediately upon finalizing terms

Risk Management

- Continues to play pivotal role in decreasing the frequency and severity of claims.
- Partnership with program participants to ensure all staff are aware of ways to mitigate risk and how to respond if a loss or incident takes place.
- Complete risk management surveys of municipal buildings and recreational facilities (308 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”

Course of Construction & Wrap-Up Liability Facility

- 2020 Federal Grants – municipal projects
- Contact our office to place coverage for municipal buildings, sewer / water distribution projects, bridges
- \$15 Million capacity for Builders Risk
- \$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

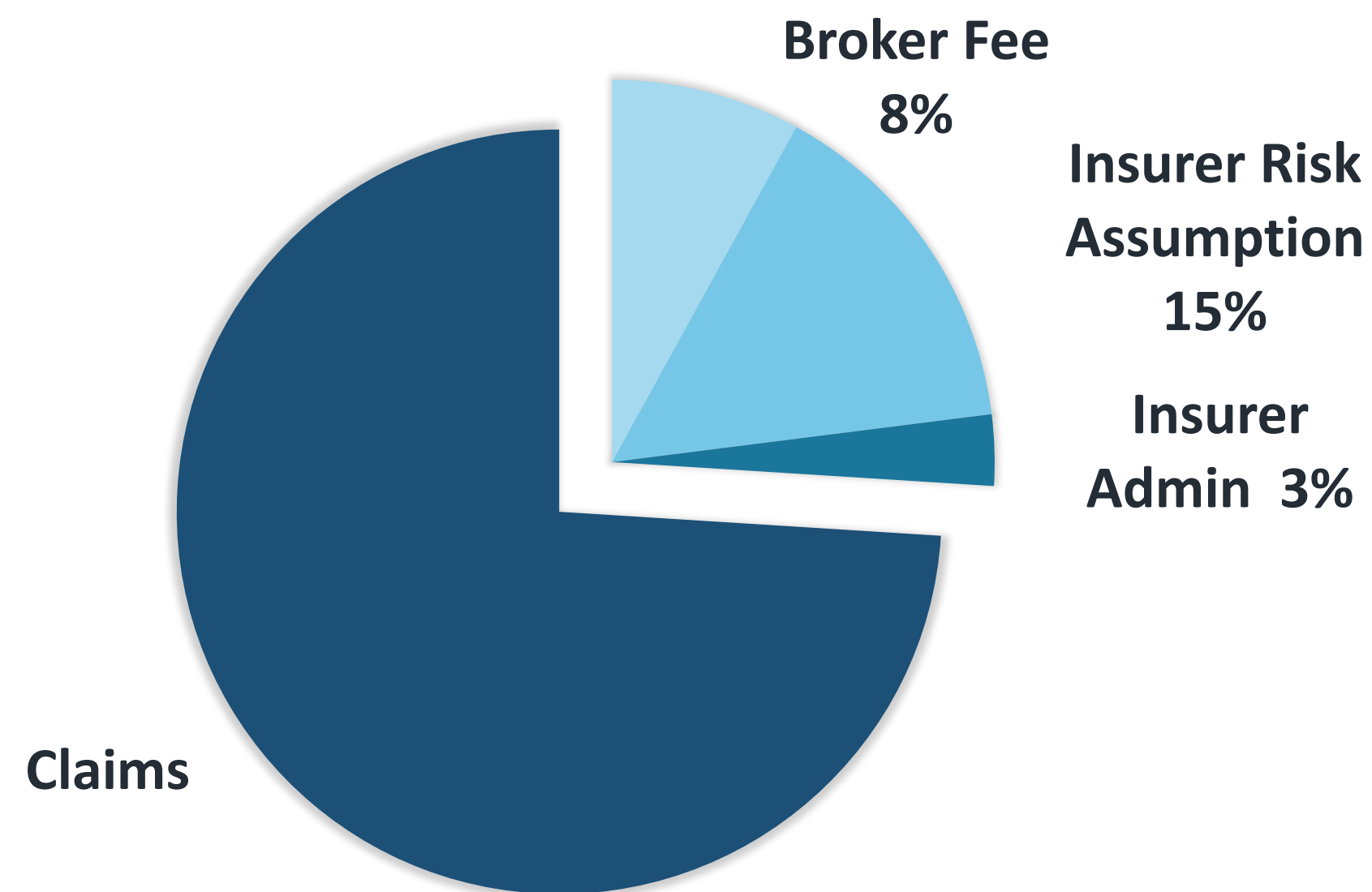
- Specializes in providing employee benefits plans to members of the Association of Manitoba Municipalities
- 114 municipalities, 312 conservation districts, along with various recreation districts, planning districts, weed districts, and retirees
- 1,977 employees/councilors insured; 4,987 total including dependents
- 354 retirees insured; 541 including dependents

AMM Employee Benefits Program

- 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
- 2019 total annual premium is now \$7,301,676 (\$1.1 million increase -18% growth)
- New plan enhancements and options provide members with flexibility

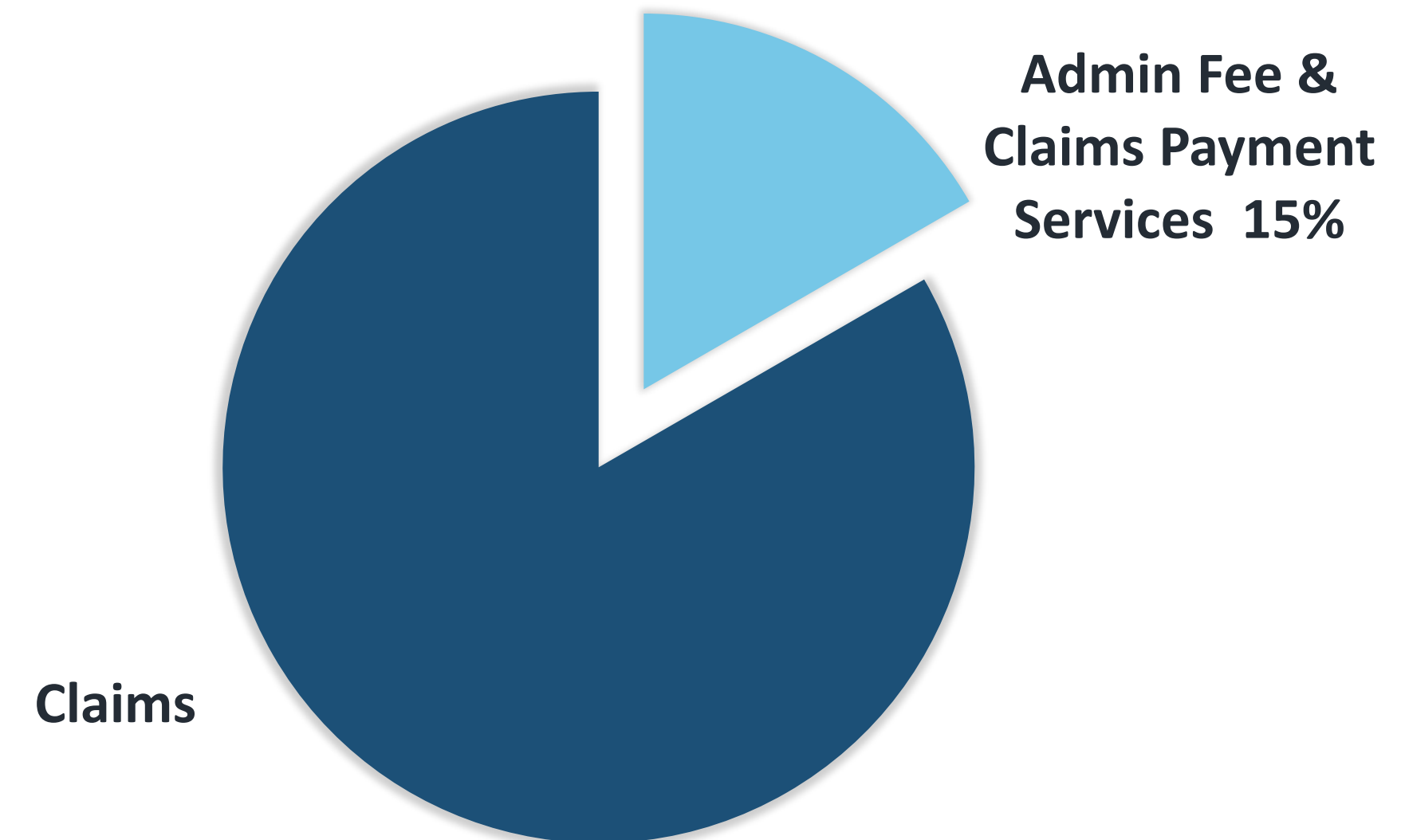
AMM Employee Benefits Pooled Structure

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 **\$1.6 Million** returned over the past 4 years

AMM Employee Benefits Program vs. Open Markets

- **Open Market -**
- Simple formula used at time of renewal, premiums paid x claims paid out
- Target-loss ratio between 73-75%
- Unpredictable and can be very volatile, with no safety net.
- **AMM Employee Benefit Program -**
- Focuses on pooling all cities, towns & municipalities together across Manitoba and has been serving AMM members for over 40 years.
- Claims of the AMM, consisting of thousands of members and over \$7 million in premium, are far more predictable than the claims of a traditional group setup, where you are responsible for all your claims.
- AMM adjudicates renewals by analyzing the claims experience of the entire pool, thus creating a greater level of program stability. In addition, there is substantially more premium to offset larger claims that a group might experience.

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 program
- Returned \$600,000 to AMM Employee Benefits Program members in 2019
- Over **\$1.6 million** has been returned to members within the past 4 years
- Refund is allocated as a weighted average based on the plan members percentage of the total premium
- As of December 31, 2019 the accumulated surplus owned by municipalities is \$857,730.82
- With growing participation each year, the pool grows stronger and healthier

AMM Employee Benefits Program Update

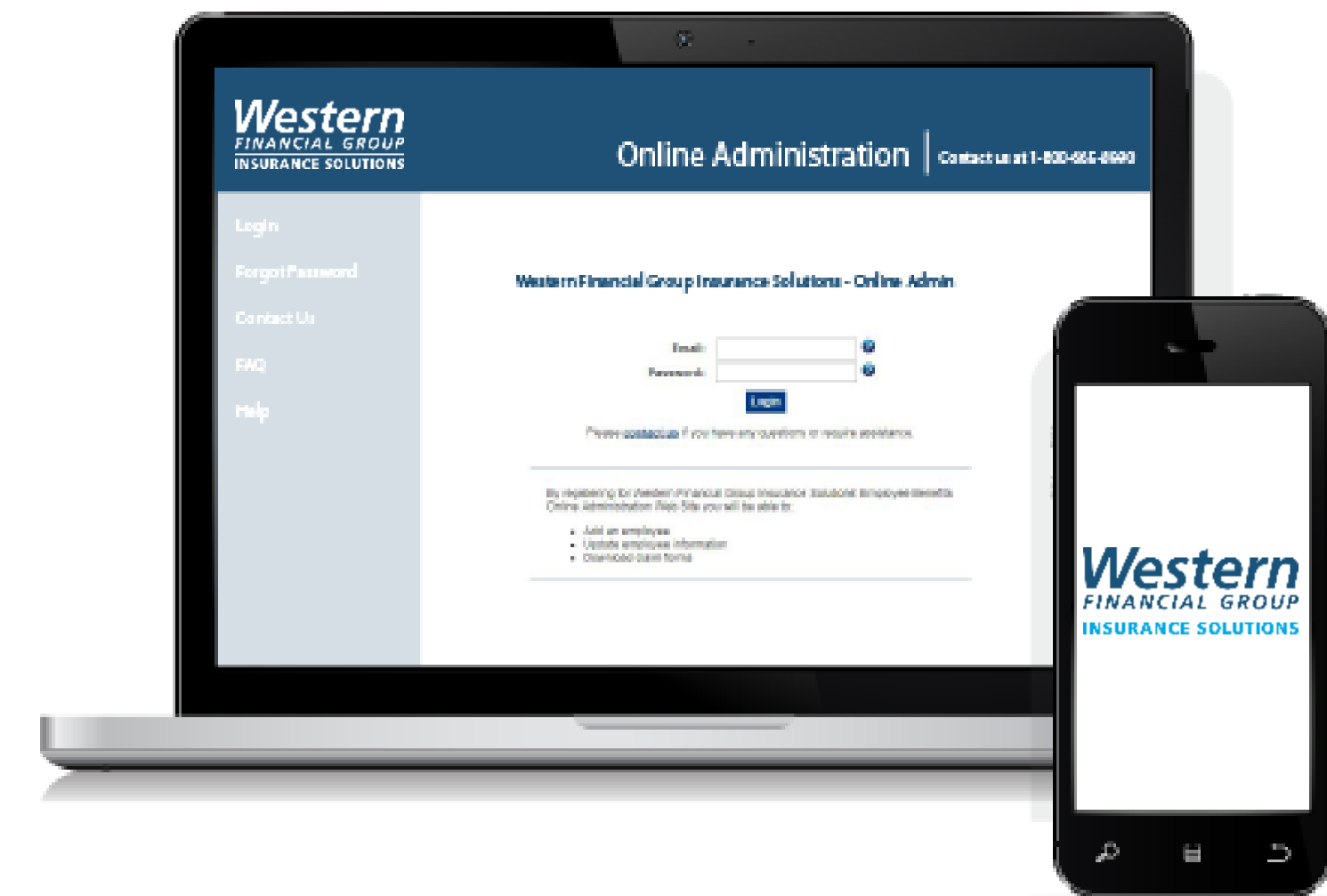
New & Exciting Features coming in 2020

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

2. Enhanced Member Communications

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



Questions?

Thank You