

Municipal General Insurance Program Report

Copies will be posted on the
Association of Manitoba Municipalities and
Western Financial Group Insurance Solutions websites:
www.amm.mb.ca www.westernfgis.ca/amm



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AMM Insurance Program

Property & Casualty



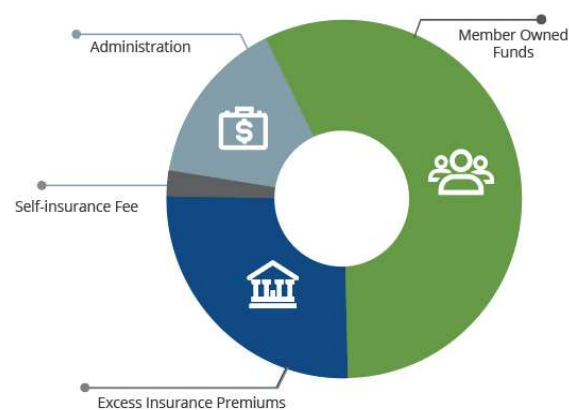
AMM Protected Self-Insurance History

- 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, **\$16.25 million** in premium has been returned from the AMM held loss pool back to municipalities for property & casualty program; in a traditional open-market this would go to the insurance industry as profit



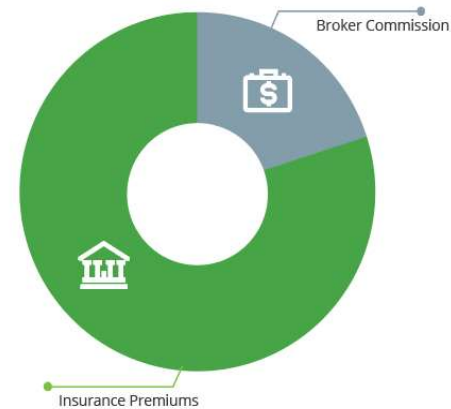
AMM Program vs. Traditional Open Market Structure

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



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 and will continue throughout 2021 and 2022.
- The very best insurance programs with low loss ratios are now experiencing **30-100% increases** across the country.



2021 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
- Increases are happening to municipalities across the country
 - BC – Sunshine Coast Regional District – **46%** increase
 - NFLD – St. John's – **88%** increase



2021 Commercial Insurance - Renewal

- ♦ Travelers Insurance Company of Canada – pulled out of public entity insurance for 2021
- ♦ Despite insurer loss ratios of 25-45% in the last three years, Travelers withdrew from Municipal General Insurance Program – 36 year relationship
- ♦ Exhaustive re-marketing of program took place to find replacement insurers (Canada, USA, United Kingdom, Switzerland)
- ♦ Required participants to be issued policy document in two different stages.
- ♦ 1 month extension (May 1st, 2021) from Travelers for Liability cover + all other coverages = Stage 1 Renewal
- ♦ Liability – 11 month term (May 1st, 2021 – April 1st, 2022) to align with common renewal date of April 1st = Stage 2 Renewal



Commercial Renewal – Key Outcomes

- After extensive work, replacement insurer for liability obtained through QBE – Lloyd's of London.
- Result: 9.81% increase in overall cost of insurance – very positive result
- \$4,000,000 return of premium from Self-insured retention pool – largest ever in program history!
- \$800,000 return of premium from Employee Benefits program
- **\$16,244,933** 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



PSIP vs SIR Fund

- AMM General Insurance Program has long held PSIP fund, member-owned, used to pay small claims, excess returns of premium issued back to members as Return of Premium
- 2021: Liability & Environmental Impairment Liability (EIL) transition from PSIP loss pool to a Self-Insured Retention Fund (SIR), effective May 1st, 2021
- All the same benefits as PSIP fund, except excess surplus of funds goes to fund SIR for following term– no return of premium for SIR.
- New Liability Insurer (QBE – Lloyd's of London) would not agree to PSIP fund
- SIR = Less insurance dollars to insurers = good outcome, amidst difficult marketplace & insurer appetite.
- Property (\$9,000,000 loss pool) and EBI (\$625,000) continue to remain on PSIP pool = ownership of capital & opportunity for returns of premium



Risk Management Services

- Complete risk management surveys of municipal buildings and recreational facilities (307 buildings surveyed in past year)
- Assist AMM with COVID-19 communications for both Commercial & EB
- Assist municipalities with questions regarding property claims and liability issues
- 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



Outside User Liability – Portal – NEW*

- Outside User Liability – coverage for groups / organizations use of facilities causing injuries or damage arising from activities on property.
- Limited use in 2020 due to existing pandemic, closure of many municipal due to code orange / red restrictions.
- New portal is live through PAL Insurance Brokers Ltd. for easy application, download, and payment of Outside User Liability policies for municipalities – effective April 1st, 2021.
- Simplifies process for both third party user, municipality, and WFGIS.



Program Participants - Feedback

“Staff are well educated and are current with Insurance industry standards and go above and beyond in providing superior customer service, to our municipality and our affiliated community groups and organizations, who require comprehensive protection.

- Andrew Glassco – CAO, Town of Teulon

“Western Financial Group provides the guidance and assistance to ensure our facilities are protected at a level you can afford. The experience and dedication shown to us even through the course of the current pandemic and restrictions makes us feel comfortable that a company such as Western Financial Group is here to help.”

-Ivan Bruneau, CAO, RM of Victoria

“The best way for municipalities to buy insurance is through a group plan. The opportunity to group premiums from many municipalities together plus the great spread of risk within the pool make it very hard for a single municipality, buying their insurance outside of the AMM plan to maintain a long-term better deal.”

-Irwin H. Kumka – Councillor, RM of Victoria Beach



Key Takeaways

- 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 2021 year.



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 participate out of 137, plus additional watershed districts, recreation districts, planning districts, weed districts, and retirees
- 1,596 employees/councilors insured; 4,671 total including dependents
- 350 retirees insured; 623 including dependents
- Self-insured since January 2005, with claim payment services provided by Manitoba Blue Cross
- Average annual premium increase 3.0% in last 5 years, much lower than other group benefit plans
- 2021 total annual premium is now \$7,808,826 – program continues to grow with participants.
- New plan enhancements and options provide members with flexibility



AMM Employee Benefits Program vs. Open Markets

Open Market

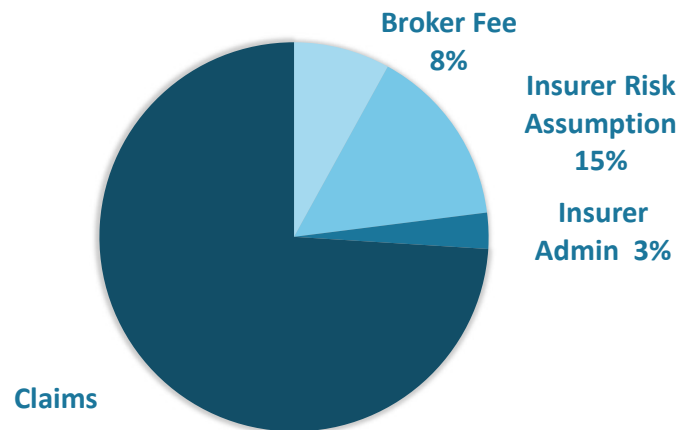
- Simple formula used at time of renewal, premiums paid x claims paid out.
- Target-loss ratio between 73-75%.
- Unpredictable and can be very volatile, with no safety net.

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.

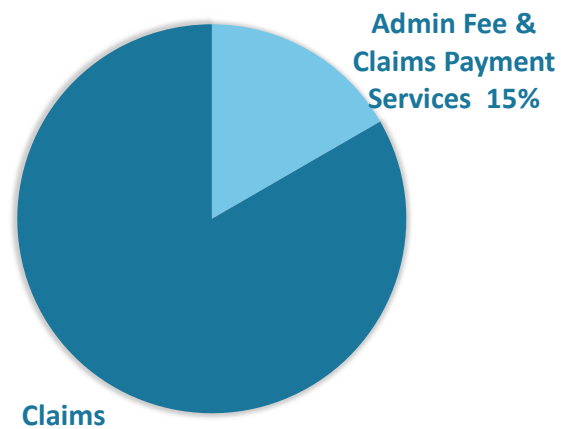


Traditional Market Model



- 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 \$3.6 Million returned over the past 5 years



AMM Employee Benefits Return of Premium

- AMM offers members the opportunity to receive a return of premium based on performance of program
- Refund is allocated as a weighted average based on the plan members percentage of the total premium
- Members have ownership & stake in the AMM program
- AMM returned \$800,000 to AMM Employee Benefits Program members in 2020
- Over \$3.6 million has been returned to members within the past 6 years
- The accumulated surplus owned by municipalities is \$520,235 as of June 1st, 2021



AMM Employee Benefits Update

1. WFGIS Online Admin - Phase 1 ***complete**

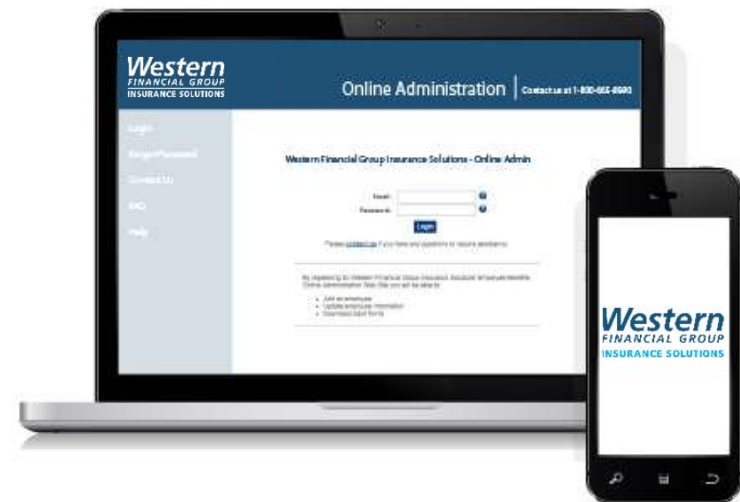
- 24/7 access to your employee benefits plan
- Ability to enroll, terminate, and make other employee changes

2. WFGIS Online Admin – Phase 2

- Update employee address
- Request new ID cards for your employee

3. Pre-recorded webinars ***coming soon***

- Webinars on a variety of topics:
 - AMM Pool vs. Open Markets
 - Plan Administration
 - Government programs - MB Pharmacare



Program Participants - Feedback

"The AMM Employee Benefits Service team are top notch, very knowledgeable, and it has been a pleasure dealing with them over the past 5 years....Would recommend them to any municipality and their employees."

- Tom Matus – CAO, Town of Lynn Lake

"Cost of the benefits program was a big deciding factor of our organization to switch benefit providers....able to pass on lower percentage increase to our staff while maintaining the same level of benefits....The online administration website is easy to use. We are happy with our switch and employees seem to be happy with this program and the service they receive. "

- Tracy Friesen – Human Resources Administrator, City of Winkler

"Offered exactly what we were looking for in terms of coverage... Made it a painless, seamless transition from the former provider to AMM Employee Benefits Program."

-Shawna Low – Administrative Assistant, Municipality of Ethelbert

AMM Insurance Program

THANK YOU!

