

Municipal General Insurance Programs Report

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Western Financial Group Insurance Solutions

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AMM Insurance Program

Property & Casualty

Agenda

- ✓ Brief Program Overview - Commercial
- ✓ 2020 Policy Renewal - Review
- ✓ Hard Market Conditions – Public Entities & Group Programs
- ✓ 2020 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
- 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

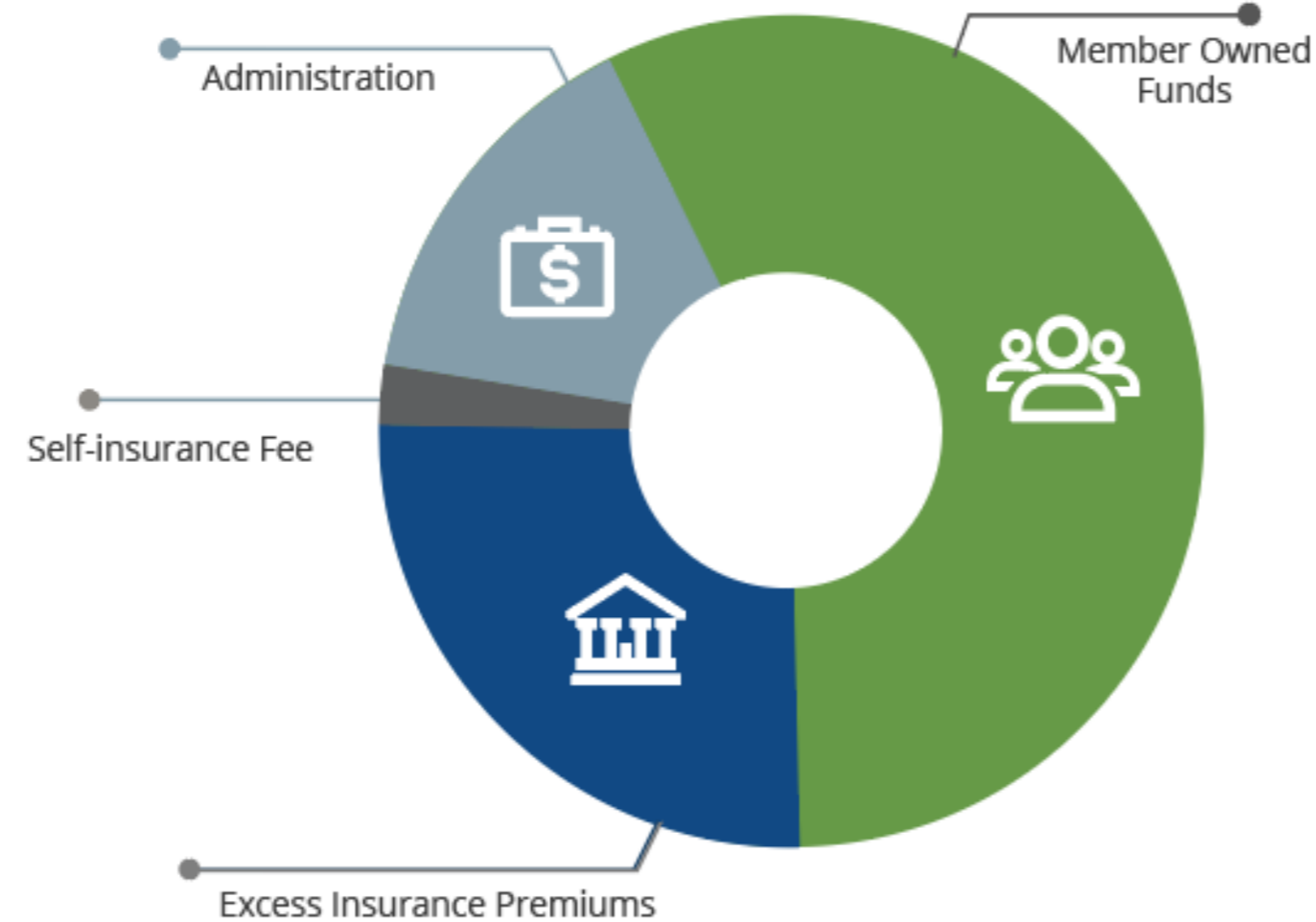
2. Excess Insurers

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

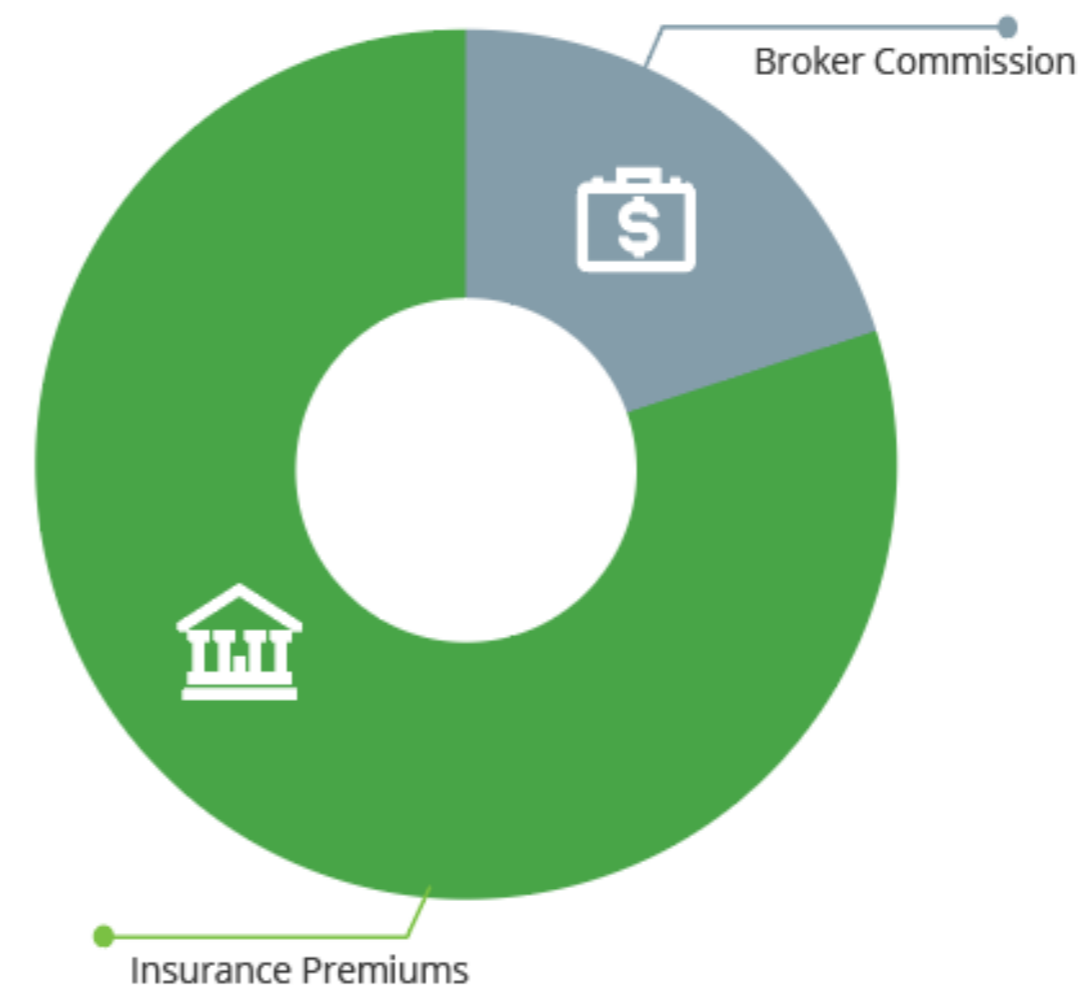
AMM Program vs. Traditional Open Market Structure

AMM GENERAL INSURANCE PROGRAM



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

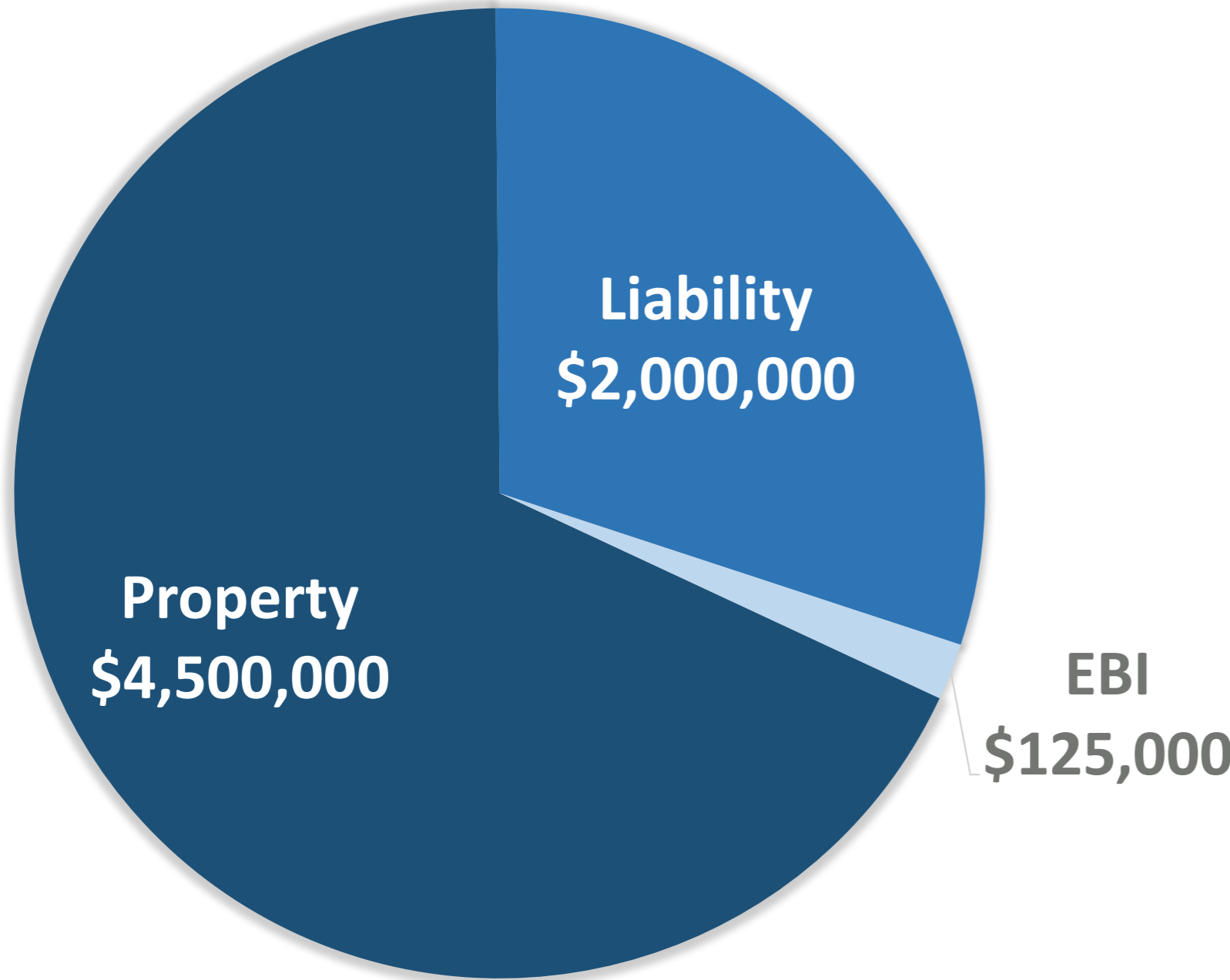
TRADITIONAL INSURANCE MODEL



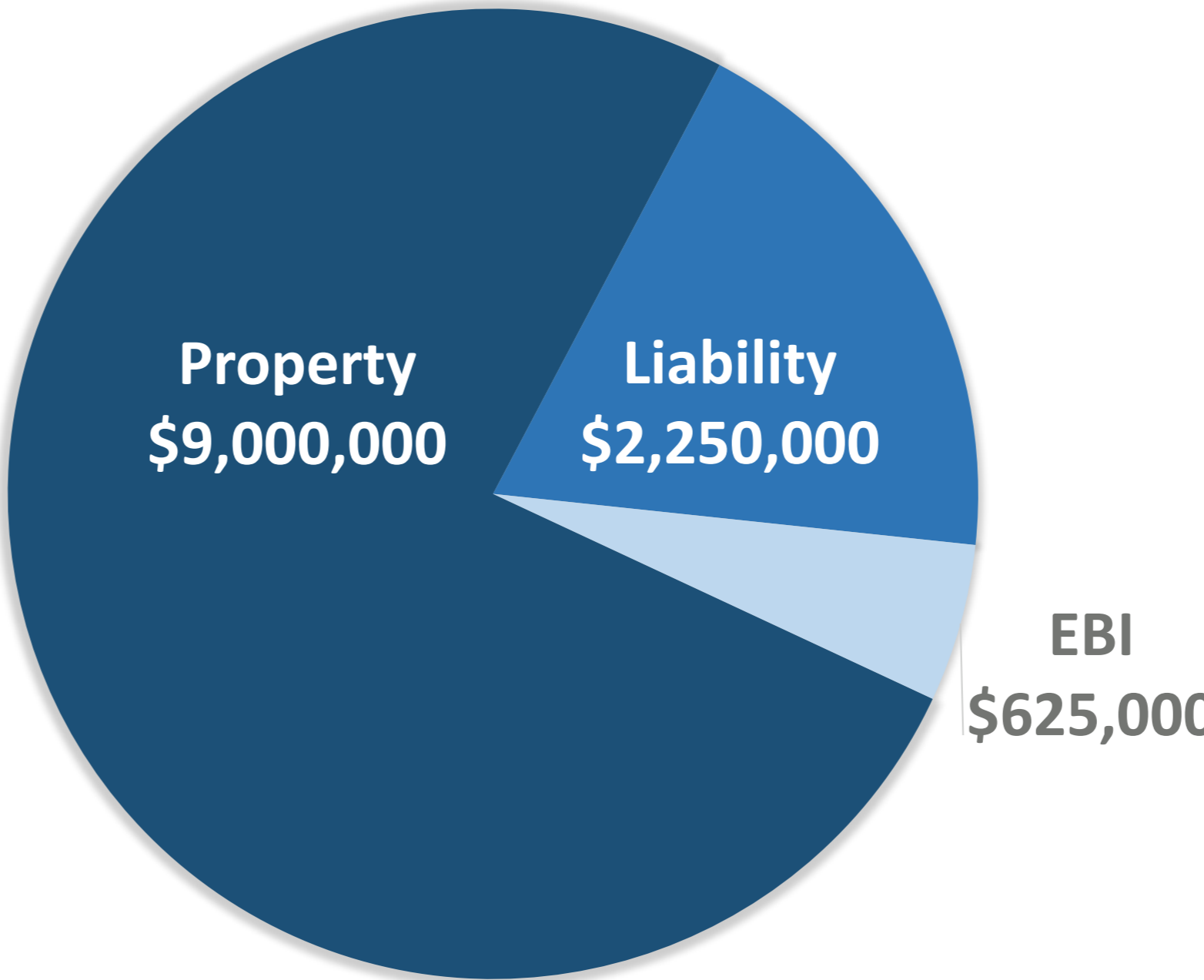
- Unstable Rates
- No Potential Return of Premiums
- Enhanced Profit for Insurance Companies

AMM Loss Pool – 2018 vs. 2020

2018 Loss Pool - \$6,600,000



2020 Loss Pool - \$11,875,000



- 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
- Best structure amidst difficult marketplace conditions (hard-market & Covid-19)

2021 Commercial Insurance Marketplace

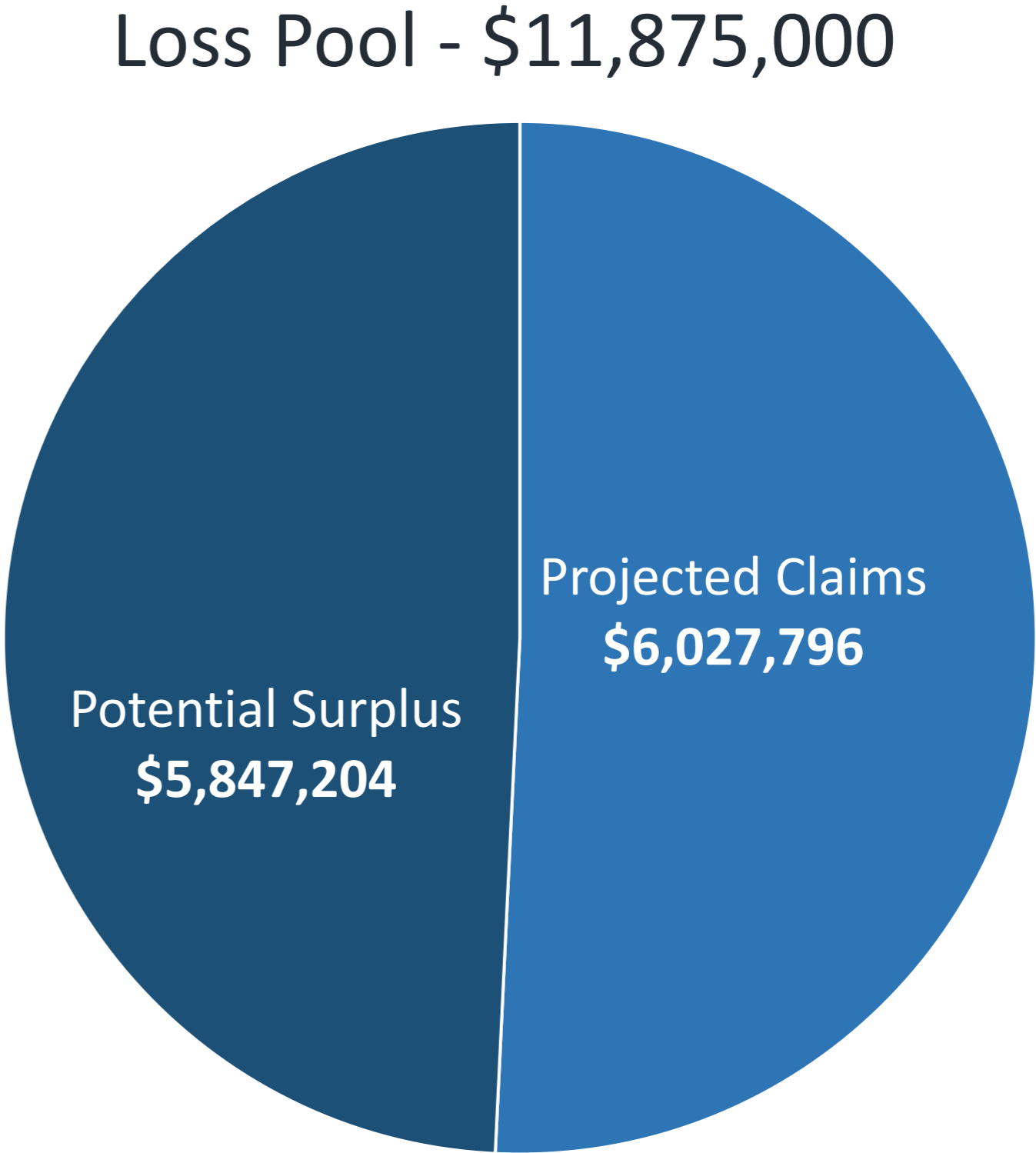
- Insurance companies make profit through investments and/or underwriting gains
- Low interest environment and financial market uncertainty requires insurers to return to underwriting gains
- Property & Casualty losses in Canada have increased significantly in recent years
- Insurer appetite has narrowed to industry classes that ensure profitability
- Hard-market conditions have existed since Summer 2019, now combined with COVID-19, it will continue into 2021
- 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 Canada
- BC – Sunshine Coast Regional District – **46%** increase
- NFLD – St. John's – **88%** increase
- Flood coverage has become larger issue for general insurance placement for various group programs across the country

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 - \$4,275,955 (as of December 31st, 2020)
- Projected Claims - \$6,027,796
- *Projected Surplus - \$5,847,204



Program Claims Experience - 2021

- Current Projected Surplus of almost **\$5.84 million** in loss pool funds
- Funds that are member-owned, and not controlled by excess insurance companies
- Projected claims for 2020 policy term – approximately **\$6.02 million**
- Structure changes to loss pool for 2019 & 2020 renewal have provided greater stability and opportunity for surplus & returns of premium
- Risk Management continues to play a pivotal role in reducing frequency and severity of potential property & liability claims

AMM 2021 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 (\$5.84 million surplus) as of January 1st, 2021
- Projections of Premium & Returns of Premium for each municipality – not available at this time, will be issued immediately upon finalizing terms

Cyber Liability – Coverage Overview

- Cyber attacks can be broad in nature – malicious and deliberate attempt by individual or organization to breach the information system of another individual or organization.
- Municipalities are required to carry Tier 1 Coverage under the program for this risk exposure, with option to purchase Tier 2 Coverage
- **Coverage Overview:**
- **Privacy Breach Liability:** Coverage for breach of privacy law or the disclosure of protected and personal information.
- **Network Security:** Third party coverage from a failure of security, including theft of mobile equipment and system intrusions.
- **E-Media:** Third party coverage for websites and online content from defamation, libel, disparagement and infringement.
- **Digital Asset Loss:** Costs to restore or recollect digital assets.

Cyber Liability – Coverage Overview

Privacy Breach Expense: Coverage for breach of privacy law or the disclosure of protected and personal information. Includes various expenses related to; Notification, Crisis Management, Credit Monitoring and Cyber Investigation.

Regulatory Defence: Covers the costs of hiring attorneys to consult with regulators during investigations and the payment of regulatory fines and penalties that are levied against you as a result of the breach.

Tier 2 Coverage – Increases limits of coverage to Tier 1, and provides additional coverage for;

Cyber Extortion & Ransomware: Coverage protects your business against losses caused by Ransomware and other types of cyber extortion.

PCI Fines: Covers fines incurred from being non-compliant with Payment Card-Industry (PCI) Data Security Standards, leveled against parties who do not properly store, process or transmit saved credit-card information.

Cyber Liability Insurance

- Expansion of Cyber Liability product to having 3 tiers of coverage available on renewal
- Risk Management Documentation issued throughout policy term;
 - Cyber Liability / Privacy Breach / Phishing Emails / Ransomware / Working from Home
 - Municipal Leader – Articles – Rudy Penner, Director Risk Management
- Upcoming webinar Cyber Liability Overview – April 16th, 2021 @ 10:00 AM – 11:00 AM
 - Cyber Liability Issues – Municipal
 - Privacy Data Breach
 - Risk Management Techniques

Cyber Liability Insurance – Expansion of Coverage

	Coverage	Tier 1	Tier 2	Tier 3
1.A	Business Interruption	250,000	1,000,000	2,000,000
1.B	Digital Asset Destruction	250,000	1,000,000	2,000,000
1.C	Incident Response Expenses	250,000	1,000,000	2,000,000
1.D	Cyber Extortion	Not Covered	1,000,000	2,000,000
1.E	Reputational Harm (if taken up)	N/A	1,000,000	2,000,000
	Bricking (if taken up)	N/A	1,000,000	2,000,000
2.A	Security and Privacy Liability	1,000,000	1,000,000	2,000,000
2.B	Regulatory Defense and Penalties	250,000	1,000,000	2,000,000
2.C	Multimedia Liability	250,000	1,000,000	2,000,000
2.D	Payment Card Industry Fines and Expenses	250,000	1,000,000	2,000,000
AGGREGATE		<u>1,500,000</u>	<u>2,000,000</u>	<u>3,000,000</u>

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 – Course of Construction (COC)
- \$10 Million capacity for Wrap-Up Liability
- *Must contact office prior to commencement of project in order to place coverage

Outside User Liability – Portal – NEW*

- Outside User Liability – coverage for groups / organizations use of facilities causing injuries or damage arising from activities on property.
- Website through PAL Insurance for easy application, download, and payment of Outside User Liability policies for municipalities and third party users of facilities
- Simplifies process for both third party user, municipality, and WFGIS
- Expect to have ready to launch for April 1st, 2021
- Webinar – To be scheduled once launched



AMM Insurance Program

Employee Benefits

AMM Employee Benefits Program

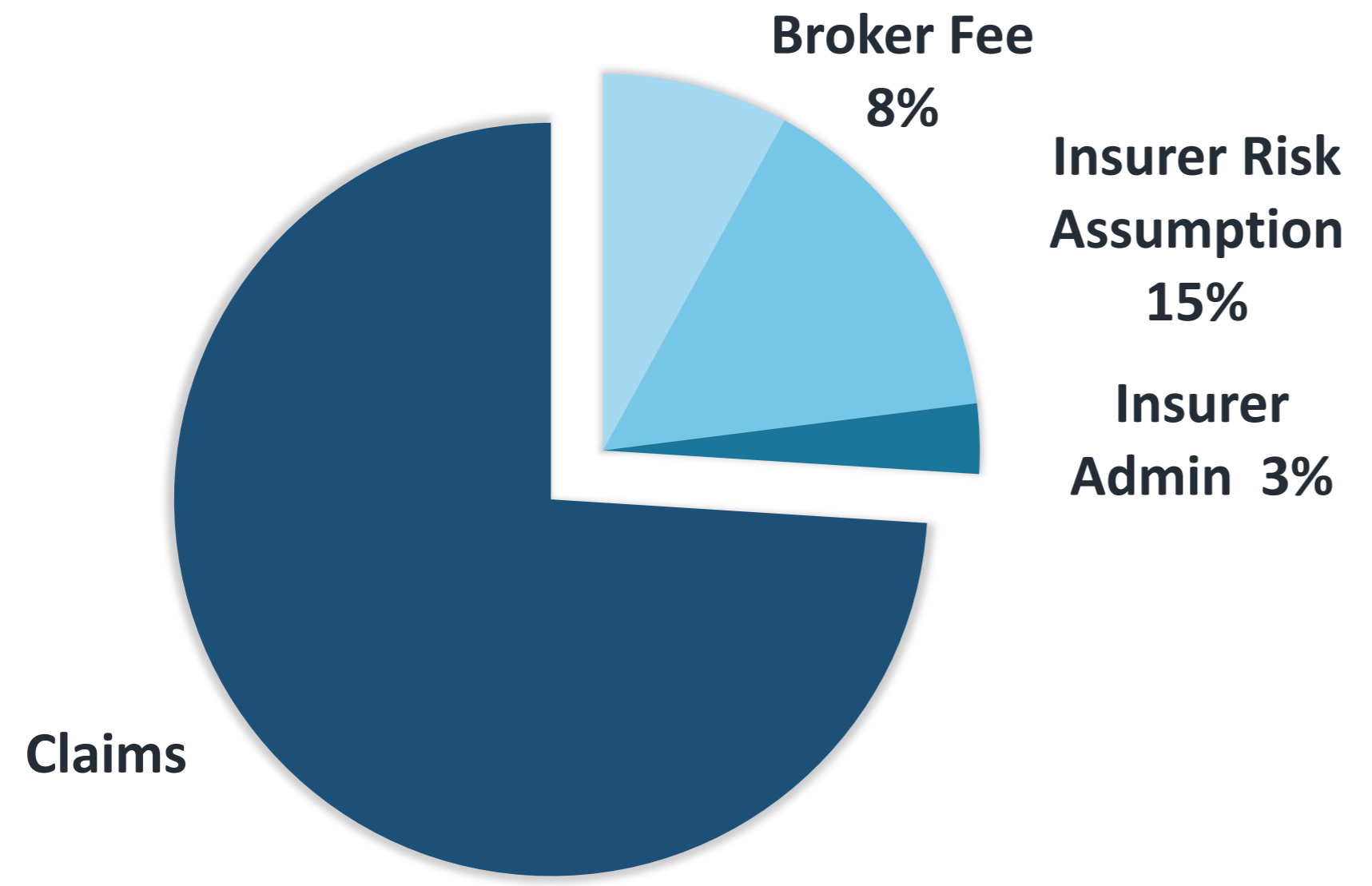
- Specializes in providing employee benefits plans to members of the Association of Manitoba Municipalities
- 114 municipalities participate including, watershed districts, recreation districts, planning districts, weed districts, and retirees
- 1,977 employees/councilors insured; 4,987 total including 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
- 2021 total annual premium is now \$7,696,061
- New plan enhancements and options provide members with flexibility

AMM Employee Benefits Program

- 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 \$800,000 to AMM Employee Benefits Program members for 2020
- 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, 2021 the accumulated surplus owned by municipalities is \$860,097

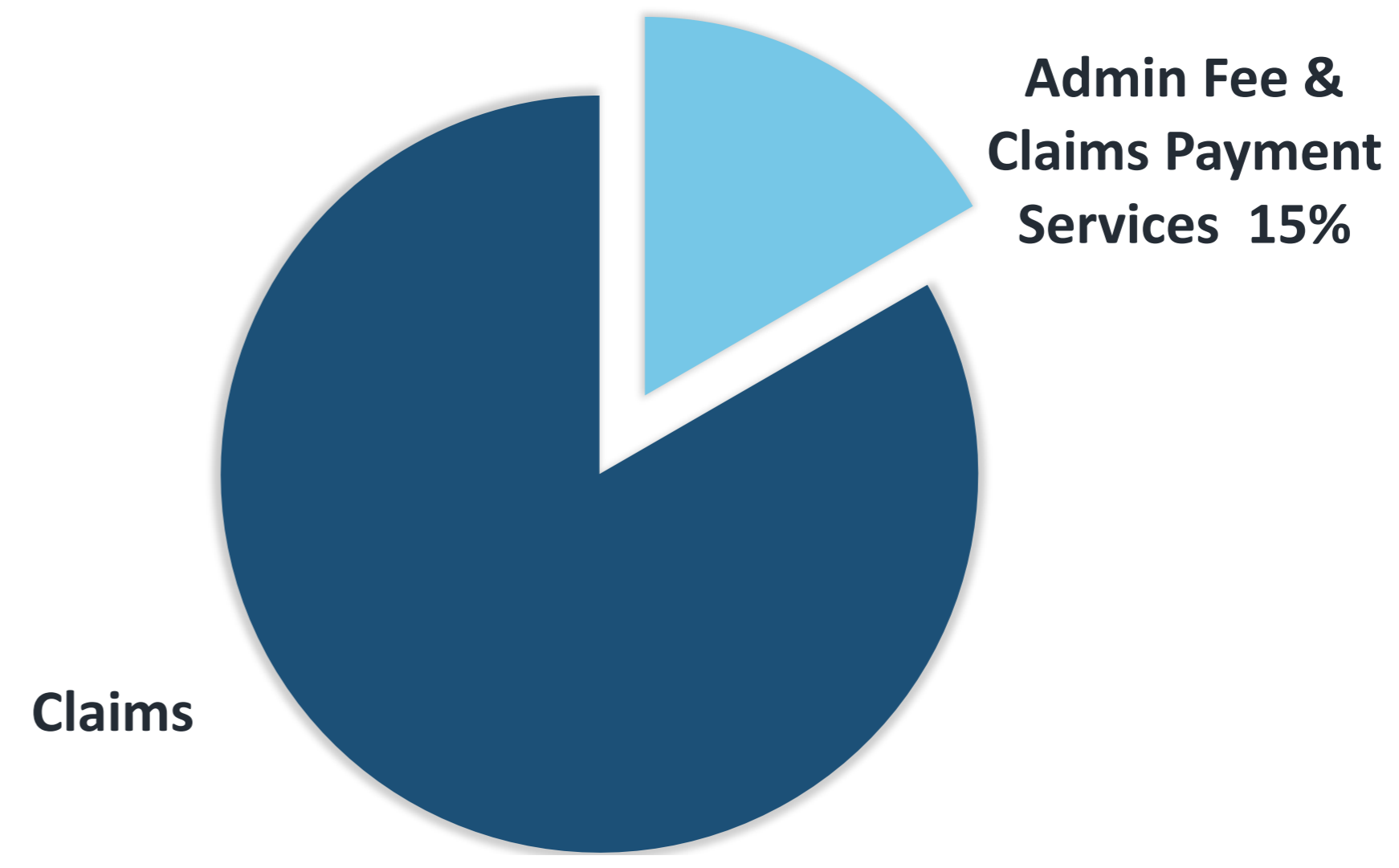
AMM Employee Benefits Pooled Structure

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

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

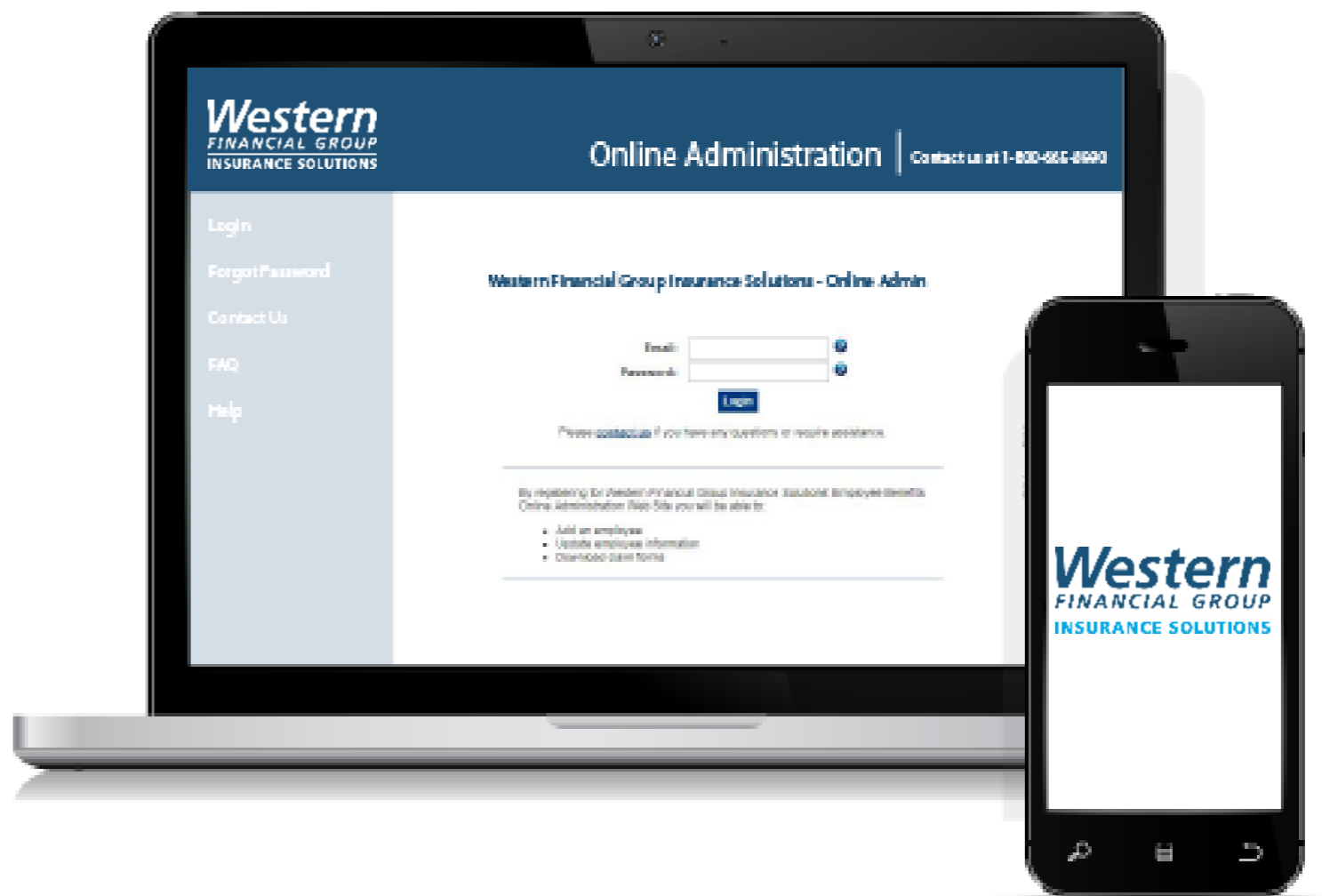
- The AMM Health & Dental Program continually researches new coverage options and strives to provide new and exciting features and enhancements.

AMM Employee Benefits Program Update

New Feature in 2021

- 1. WFGIS Online Admin – Phase 2**
 - Update employee address
 - Request new ID cards for your employees

- 2. WFGIS Online Admin - Phase 1 *complete**
 - 24/7 access to your employee benefits plan
 - Ability to enroll, terminate, and make other employee changes



Thank You