

# AMM Insurance Program – Employee Benefits

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## Why Does it Benefit Us?



# AMM Insurance Program

For over 40 years, Western Financial Group has worked in partnership with the Association of Manitoba Municipalities to provide innovative Commercial & Employee Benefits Program to its members. Both programs provide Municipalities with a program that not only provides superior coverage, but also provides rate stability not seen on the open market.

We continue to work with our industry partners to strengthen the program through new offerings and enhancements designed to protect Municipalities. Our continued partnership ensures members have access to reliable insurance coverage and expert advice as they navigate the challenges of the future.



# AMM Employee Benefits Program

Year	Pool Premiums
2022	\$8.1 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; 2022 pool is now over **\$8.1 million** dollars. Growth of **\$3.2 million** or **72%** 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.



# Traditional Insurance Market

## Problem # 1

Health and Dental rates are not stable

# Traditional Market - Problem #1:

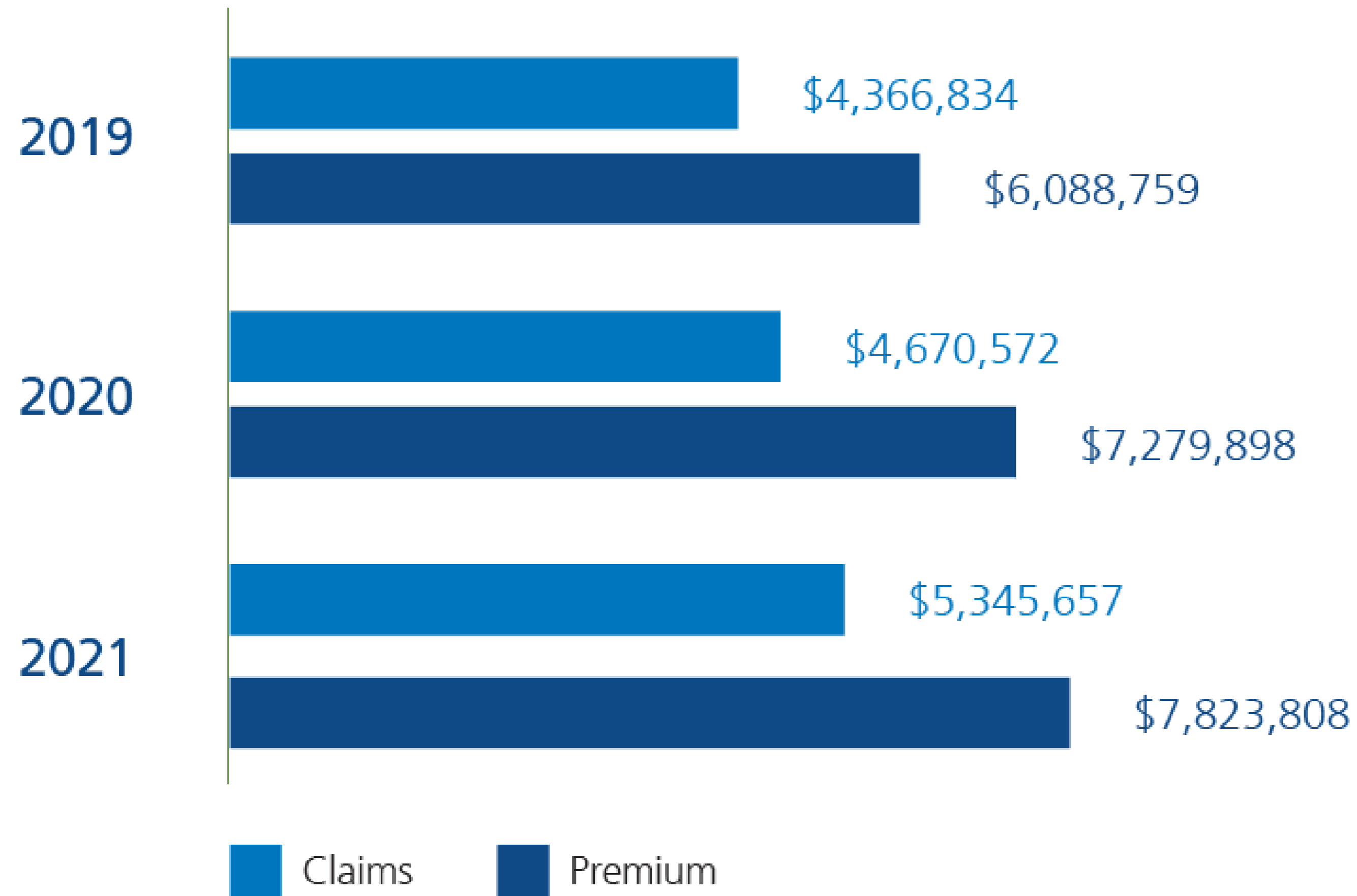
## Health and Dental Rates are not Stable

- Experience/Claims Rated: Insurance companies renew based on the experience of an individual group:
  - When claims are worse than expected, rates proportionately increase
  - When claims are better than expected, rates remain the same or decrease slightly
- Extremely challenging to budget for plan costs year to year
- Double digit increases are very common at renewal
- Health and Dental trends fluctuate each coming year due to:
  - Research and development
  - New drugs coming onto the market
  - Dental fee guides
  - Average health trend approx. 12%
  - Average dental trend approx. 7%

## AMM Solution: Pooled Health & Dental Benefits

- Renewals are based on the **overall claims experience** of the aggregate program – similar to a large corporate plan
- Increased spread of risk promotes long-term rate stability for all members
- Annual renewal of January 1 for all members
- Greater level of protection against large health claims
- Renewal impacted by health and dental trends
  - Historical average renewal increase of **3.0%** over the past 6 years
- Pooled program provides a safety net for Municipalities that may have a year of bad claims

# AMM Employee Benefits Program premiums & claims



Membership and overall premiums have consistently grown, especially during the 2019-2020 period.

As expected, the program saw an increase in claims in 2021, compared to the year prior, as COVID-19 restrictions lifted, and medical services resumed.

The additional claims activity increased the paid loss ratio – increasing to 68% from 63% in 2020.

Traditional Insurance Market

## Problem # 2

# Plans are Administratively Expensive



## Traditional Market - Problem #2: Plans are Administratively Expensive

- Insurance companies allocate premium to administrative expenses and broker commission
- Insurance companies have the “luxury” of renewing you at any amount needed to hit their target loss ratio (avg. 73%)
- Switching insurance companies is a short-term fix
  - Business is often bought the first year
  - Rates are increased significantly the following year at renewal
- Municipalities are forced to reduce or cut coverage from the plan in order to contain costs
- Increases can be possibly carried over to taxpayers as Municipal benefit plans are publicly funded.

# AMM Solution: Reduced Administrative Expenses

- Claim payment services provided by Manitoba BlueCross
- Able to negotiate reduced administrative fees due to large volume of premium
- Centralized expert in-house insurance team provides the product and all related services, such as day-to-day administration, analytical support and ongoing service support
- Plan options are reviewed every couple of years to ensure competitiveness

# 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 -

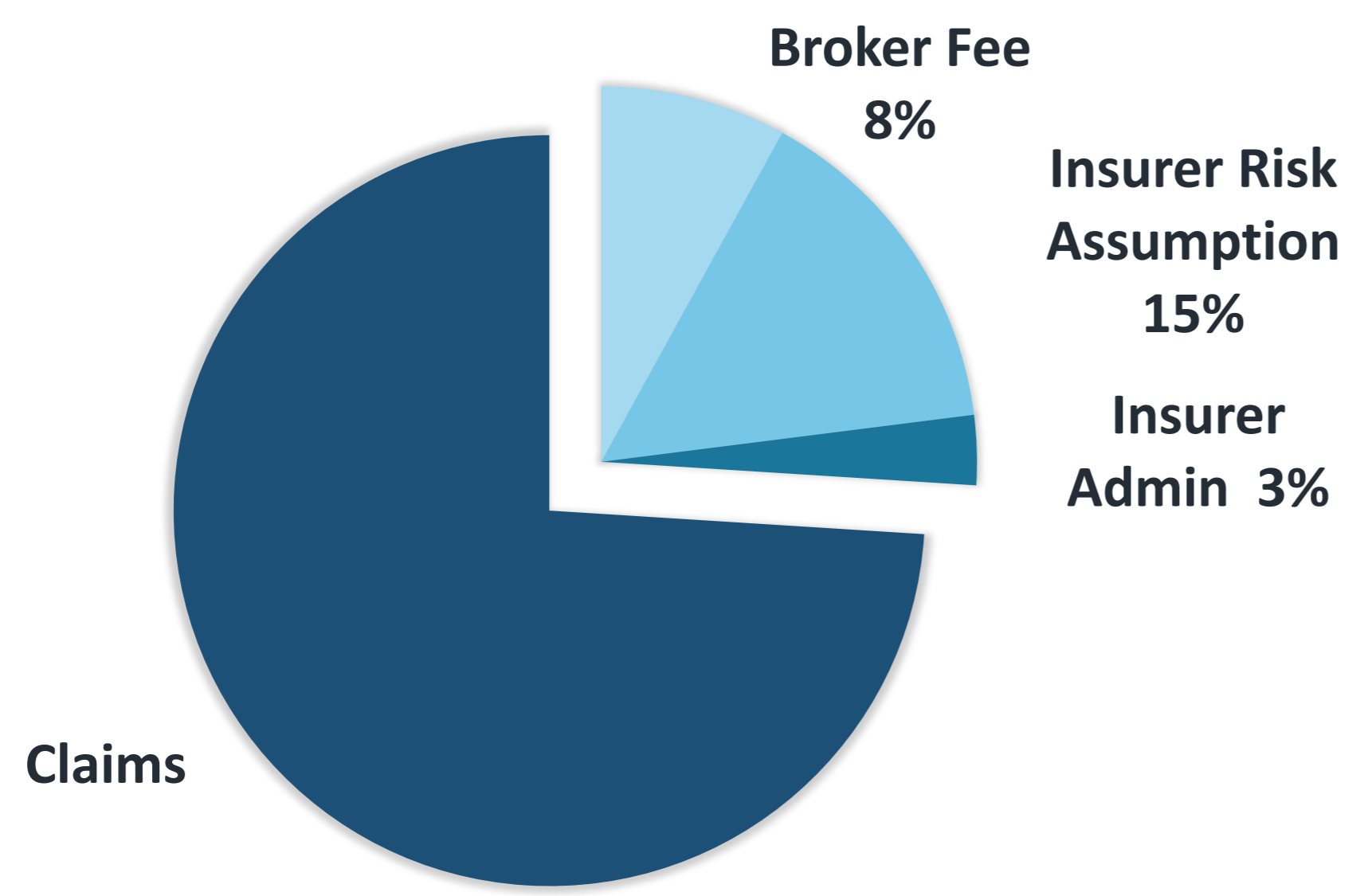
Focuses on pooling all cities, towns & municipalities together across Manitoba and has been serving AMM members for over 40 years.

Claims of the AMM, consisting of thousands of members and over \$7.8 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.

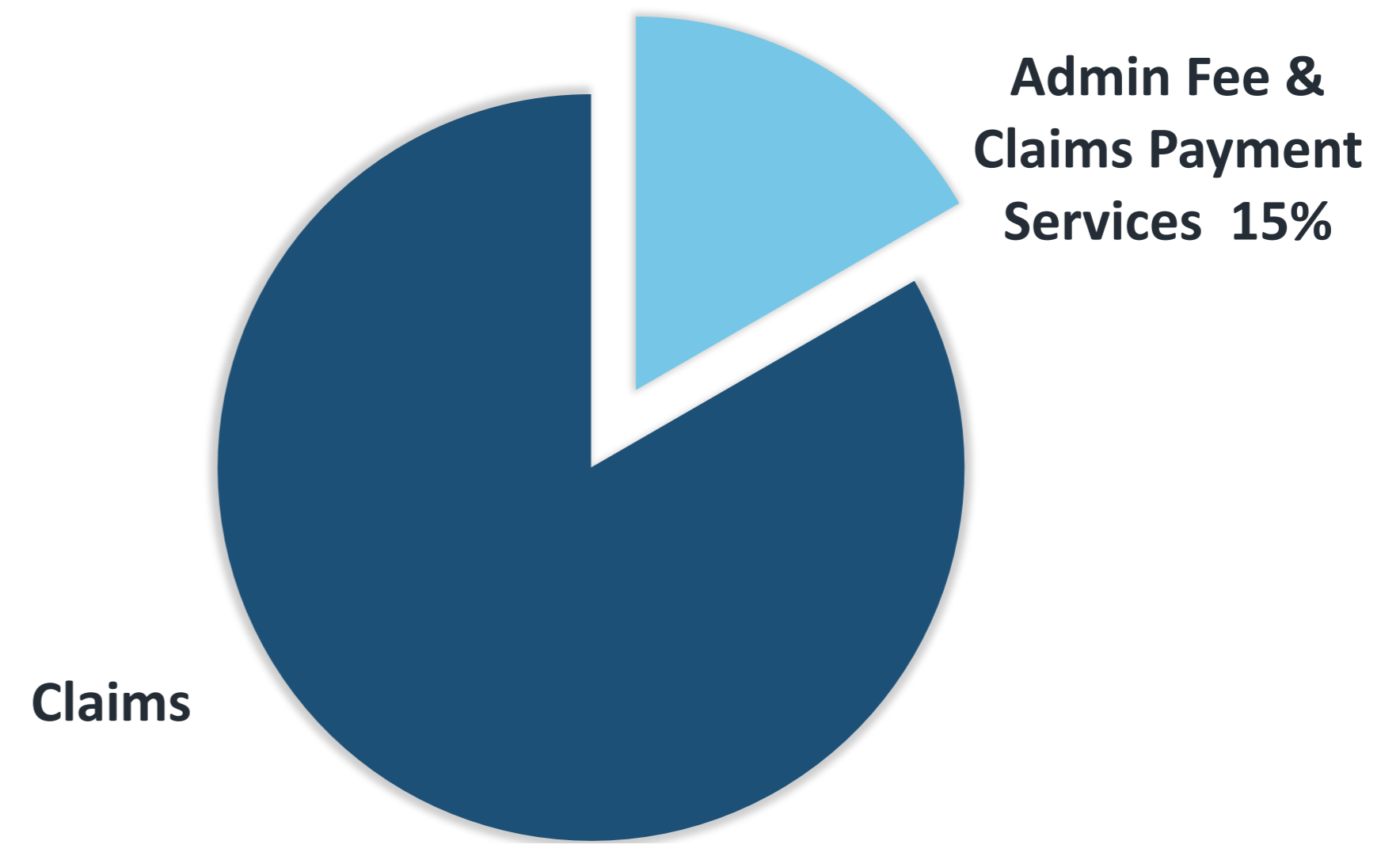
# AMM Employee Benefits Pooled Structure

## 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 \$3.7 million returned over the past 7 years

# AMM Employee Benefits Program – Renewal History

Year	Increase
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%
<b>Total</b>	<b>31.1%</b>

Over 10 years, the AMM Employee Benefits Program has increased at an overall **31%** when compared to other insurers, this could have been expected at over **50%**.

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 2022 was higher than the trending normal due to closures and increased claims usage.

# AMM Employee Benefits Program- Return of Premiums

Year	Return
2022	\$300K
2021	\$800K
2020	\$800K
2019	\$800K
2018	\$250k
2017	\$250K
2016	\$500K
<b>Total</b>	<b>\$3.7 million</b>

**\$300,000** will be provided back to members in spring of 2022, just over **\$3.7 million** dollars has provided back to members over 7 years. Without this structure, these funds would have been in the pockets of the insurance company.

Return of Premiums is 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; return would be **\$14,955 at an 800K 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 – Advantages

## 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%** over 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 Employee Benefits Program continually researches new coverage options and strives to provide new and exciting features and enhancements.



# AMM Employee Benefits Program – Audit

## Overall Satisfaction

**90%** of survey respondents are **satisfied / very satisfied** with the WFGIS Employee Benefits program.

## Future Coverage Needs

Members' survey response to: "*Over the next five years, do you believe your municipality needs more or less of the following coverages*"?

	More Coverage	Same Coverage	Less Coverage
Vision	62%	37%	1%
Extended health	45%	54%	1%
Dental care	40%	58%	1%
Pharmacare	35%	64%	1%
Medication for behaviour support	30%	64%	6%
Group travel health	23%	74%	4%
Out-of-country medical and hospital	20%	71%	8%
Orthopedic shoes & modifications	17%	79%	5%
Orthotics	17%	80%	4%



# AMM Employee Benefits Program – FAQ

1. Why are we receiving our return of premiums as a credit rather than a cheque?
2. Why do you not provide us our claims?
3. What happens if I surpass the Target Loss Ratio (TLR) at renewal?
4. Election is coming up in October 2022, what happens to coverage for councilors enrolled with benefits if they are not re-elected?
5. Comparing the benefits program against others, why is the AMM Program so restrictive?
6. Why are quotes from other brokers/insurance companies so enticing?
7. How is that you can provide me a quote to enhance my plan without knowing my claims?

# Thank You

