

MUNICIPAL GENERAL INSURANCE PROGRAMS 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

Western Financial Group Insurance Solutions Service

Phone: 1-800-265-0314

Grant Ostir - President

Ext. 7228

grant.ostir@westernfgis.ca

Drew Woytko - Property/Casualty Program

Ext. 7274

drew.woytko@westernfgis.ca

Rudy Penner - Risk Management

Ext. 6163

rudy.penner@westernfgis.ca

Jordan Lontajo - Health & Dental Program

Ext. 6576

jordan.lontajo@westernfgis.ca

AMM Insurance Program

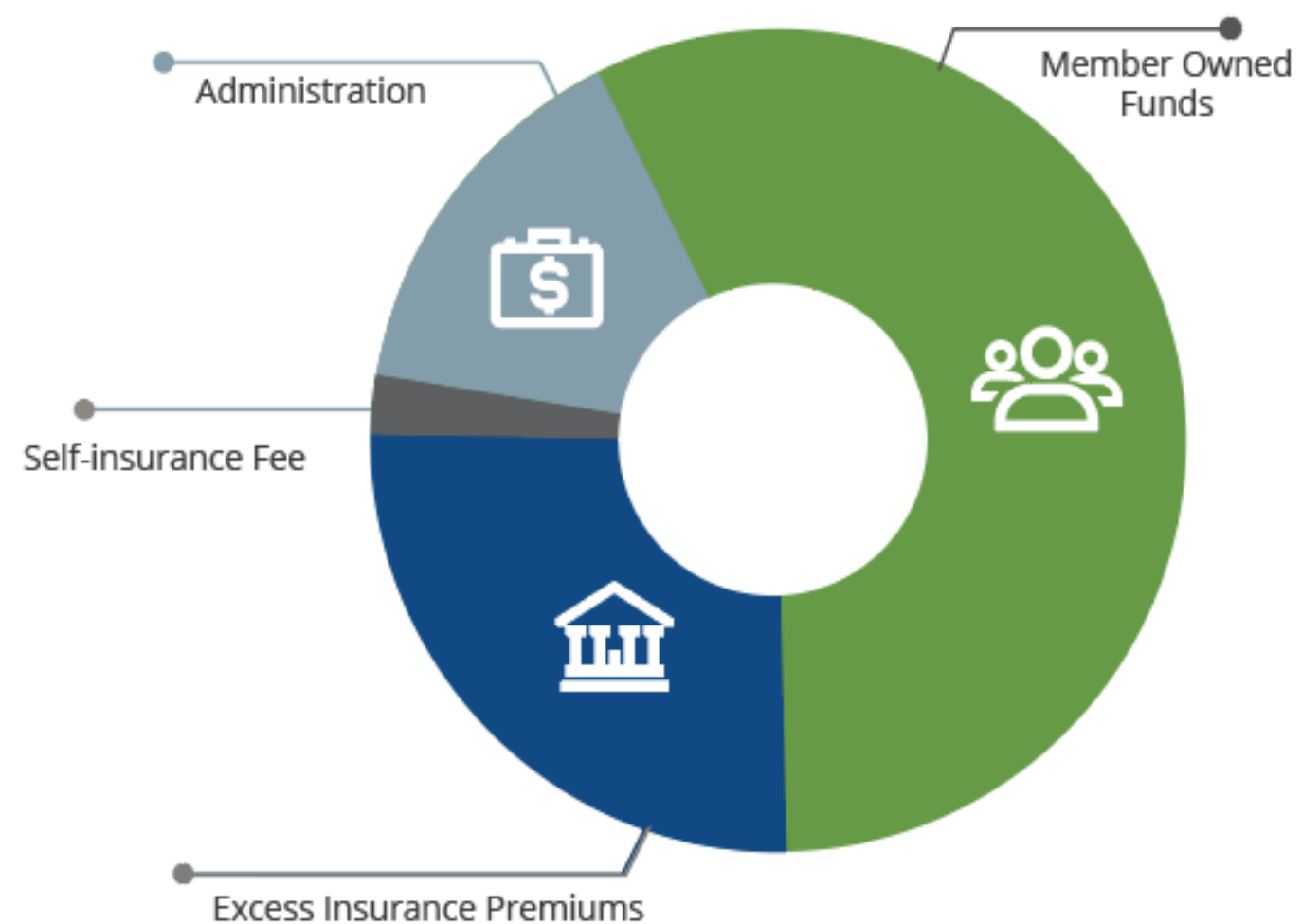
Property & Casualty

Advantages of Protected Self-Insurance Structure

- The AMM Property & Casualty Program has premiums divided into two premium categories:
 - ***AMM Held Loss Pool***
 - ***Excess Insurers***
- 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

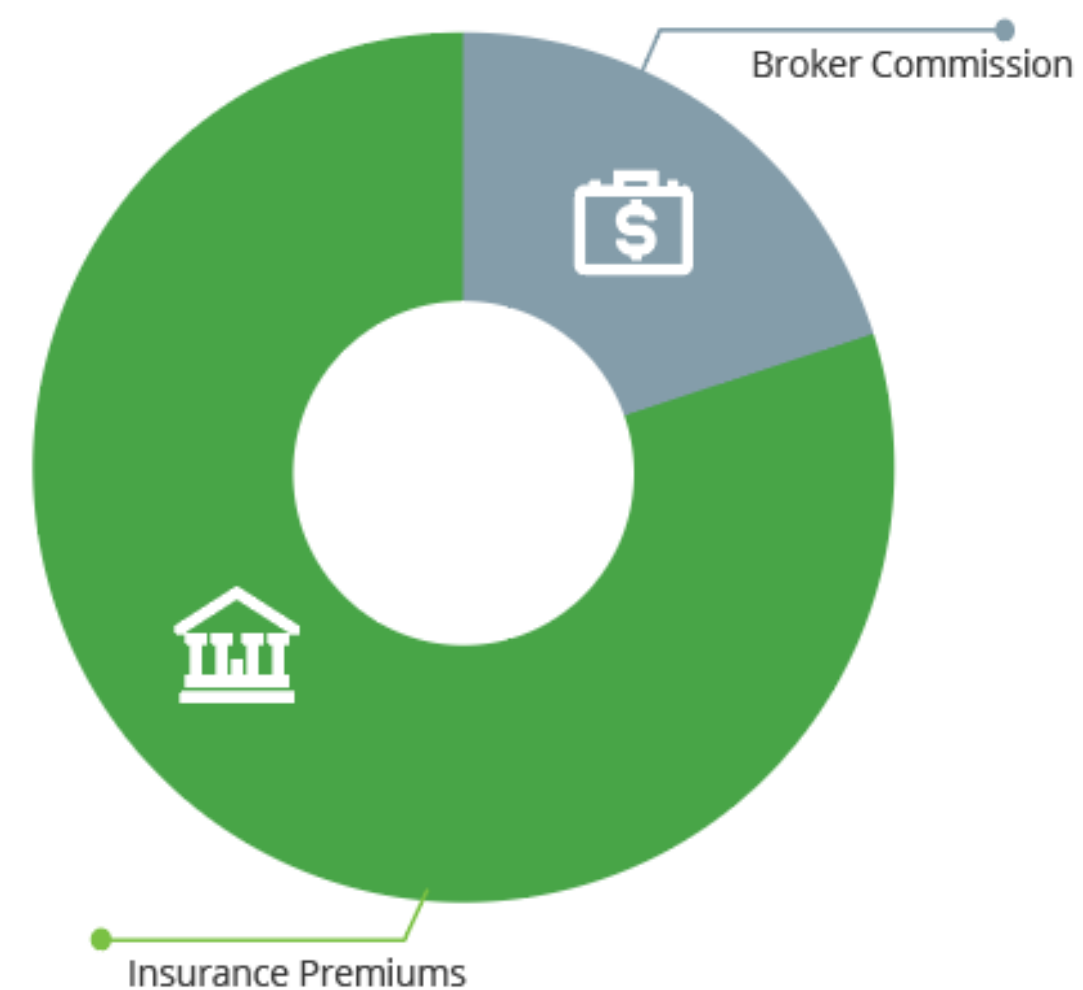
AMM Program vs. Traditional Open Market Structure

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 (2007)
 - -Hardening of commercial marketplace (2019)
- The AMM held loss pool provides the opportunity for returns of premiums; the larger the loss pool the greater the opportunity for Program returns
- A larger loss pool results in enhanced levels of control and stability for all municipalities, especially during increasing rating pressure from Insurers

2020 Commercial Insurance Marketplace

- Property & Casualty losses in Canada have increased significantly in recent years
- Insurer appetite has narrowed and is more selective by industry class
- Hard-market conditions have existed since Summer 2019, now combined with COVID-19 situation, has further reduced appetite for risk
- The very best insurance programs with low loss ratios are now experiencing 30-50% rate increases
- Insurance companies make profit through investments and/or underwriting gains
- Low interest environment requires insurers to return to underwriting gains

April 1, 2020 Property / Casualty Renewal

- Total claims in the 2019-20 policy year were \$5,592,667 (as of April 1st, 2020)
- Reduced frequency and severity of claims from 2019 - \$9,857,833 – Risk Management
- Insurers requested 20% rate increase based claims history / market conditions
- Aggressive marketing of program after initial advisory an insurer would not participate in offering renewal terms.
- Total Insured Values are \$5.430 Billion, up from \$5.247 Billion in 2019
- ***Self-Insurance loss pool increased from \$11,125,000 to \$11,875,000***
- Liability Loss Pool – expanded from \$2 million to \$2.25 million
- Equipment Breakdown Loss Pool – expanded from \$125,000 to \$625,000

April 1, 2020 Property / Casualty Renewal

- 2019 Renewal expansion from \$6.6 million to \$11.125 million was significant to program future prosperity
- **\$3,265,000** return of premium from Self-insured retention pool – largest ever return in program history!
- \$800,000 return of premium from Employee Benefits program
- \$498,992 “AMM Rate Stabilization” input
- Result: 8.92% increase in overall cost of insurance
- **\$12,232,573** in returns of premium back to participants since 2008
- **Note: These funds would go back to insurers as underwriting profit, without existing loss pool structure, only made possible through AMM General Insurance Program**

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

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

Loss Pool - \$11,875,000



Risk Management Services

- Complete risk management surveys of municipal buildings and recreational facilities (299 buildings surveyed in past year)
- Assist AMM with COVID-19 communications for both Commercial & EB
- Risk management strategies related to safety plans and assist in COR Certification processes
- 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

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
- 1,511 employees/councilors insured; 4,426 total including dependents
- 355 retirees insured; 632 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
- 2020 total annual premium is now \$7,515,113 (**10.3% growth from 2019**)
- New plan enhancements and options provide members with flexibility

AMM Employee Benefits Program vs. Open Markets

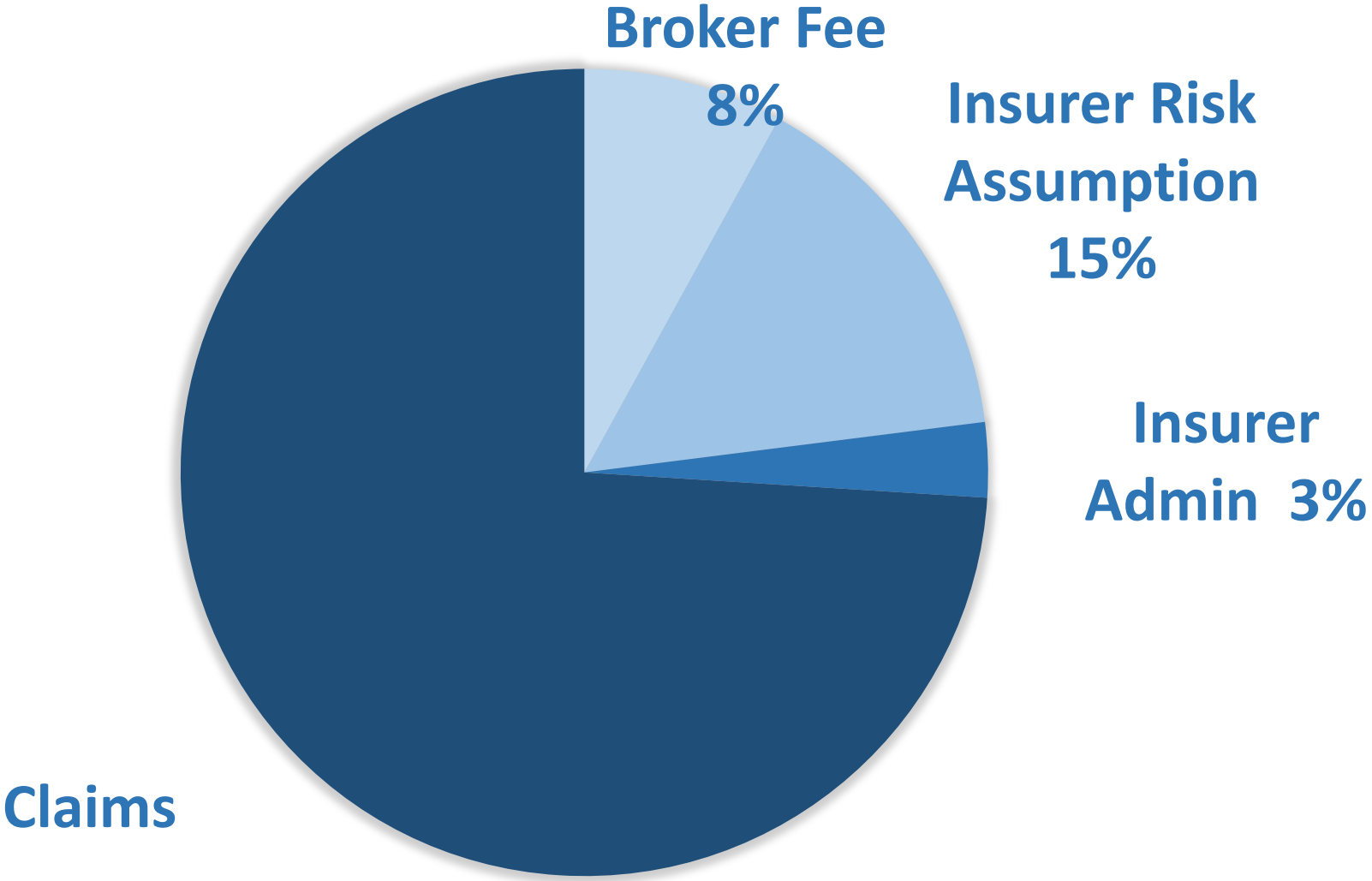
Open Market -

- 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 -

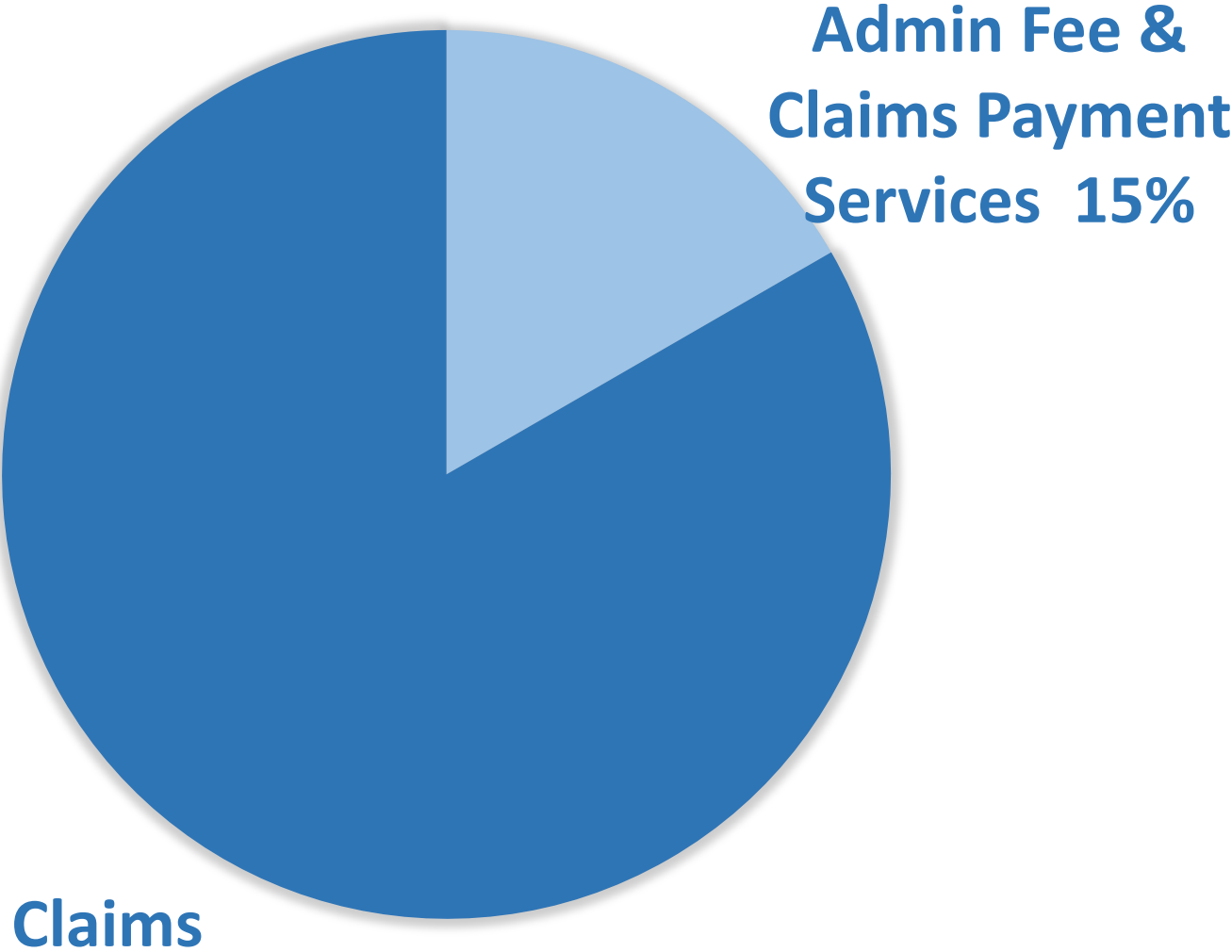
- Focuses on pooling all cities, towns & municipalities together across Manitoba and has been serving AMM members for over 40 years
- Claims of the AMM, consisting of thousands of members and over \$7 million in premium, are far more predictable than the claims of a traditional group setup, where you 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 \$2.4 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 the performance of the 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 \$600,000 to AMM Employee Benefits Program members in 2019
- Over \$2.4 million has been returned to members within the past 5 years
- The accumulated surplus owned by municipalities is \$619,692 as of June 1st, 2020

THANK YOU!