

# Municipal General Insurance Programs Report

## June District Meetings



# Western Financial Group Insurance Solutions

Grant Ostir	Chief Business Development Officer	<a href="mailto:grant.ostir@westernfgis.ca">grant.ostir@westernfgis.ca</a>	ext.7228
Drew Woytko	Manager, Commercial Service	<a href="mailto:drew.woytko@westernfgis.ca">drew.woytko@westernfgis.ca</a>	ext.7274
Charmaine Borcelis	Commercial Insurance Advisor	<a href="mailto:charmaine.borcelis@westernfgis.ca">charmaine.borcelis@westernfgis.ca</a>	ext.6008
Kristin Keating	Commercial Insurance Advisor	<a href="mailto:kristin.keating@westernfgis.ca">kristin.keating@westernfgis.ca</a>	ext.6154
Rudy Penner	Director, Risk Management	<a href="mailto:rudy.penner@westernfgis.ca">rudy.penner@westernfgis.ca</a>	ext.6163
Jordan Lontajo	Program Manager, Health & Dental	<a href="mailto:jordan.lontajo@westernfgis.ca">jordan.lontajo@westernfgis.ca</a>	ext.6576
Albert Liu	Administrator, Health & Dental	<a href="mailto:albert.liu@westernfgis.ca">albert.liu@westernfgis.ca</a>	ext. 6125



# AMM Insurance Program

---

# Property & Casualty



# 2022 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 pandemic, will continue throughout 2022.
- The very best insurance programs with low loss ratios have been experiencing **30-100% increases** across the country the past 24 months.



# 2022 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 – 4<sup>th</sup> highest loss year in Canadian history
  - 2016 - Fort McMurray – **\$3.6 billion in claims** - largest natural disaster in Canadian history
- Premium increases are happening to municipalities from coast to coast
  - BC – Sunshine Coast Regional District – **46%** increase ins premiums
  - NFLD – St. John's – **88%** increase in premiums



# 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

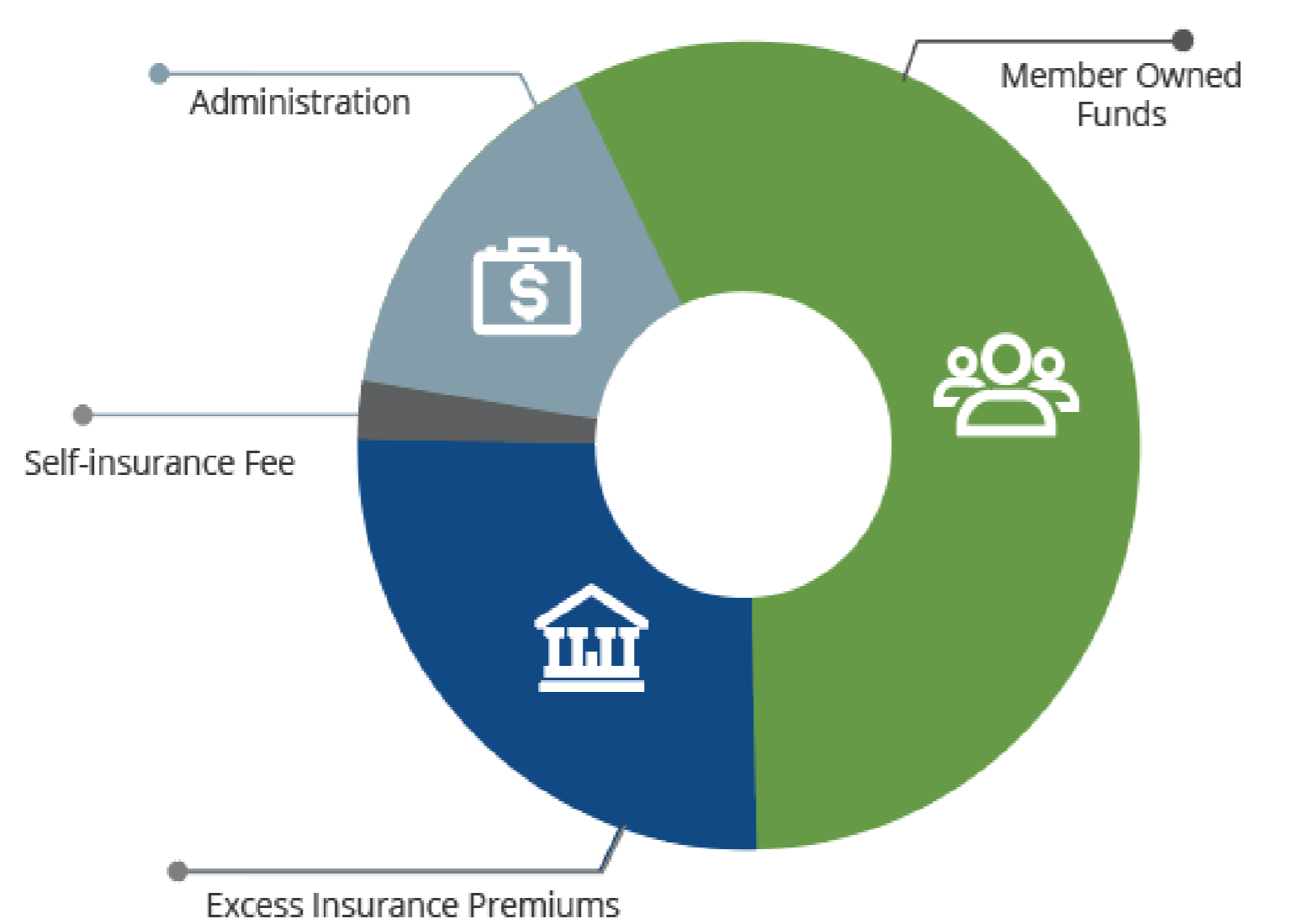
2. Excess Insurers

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

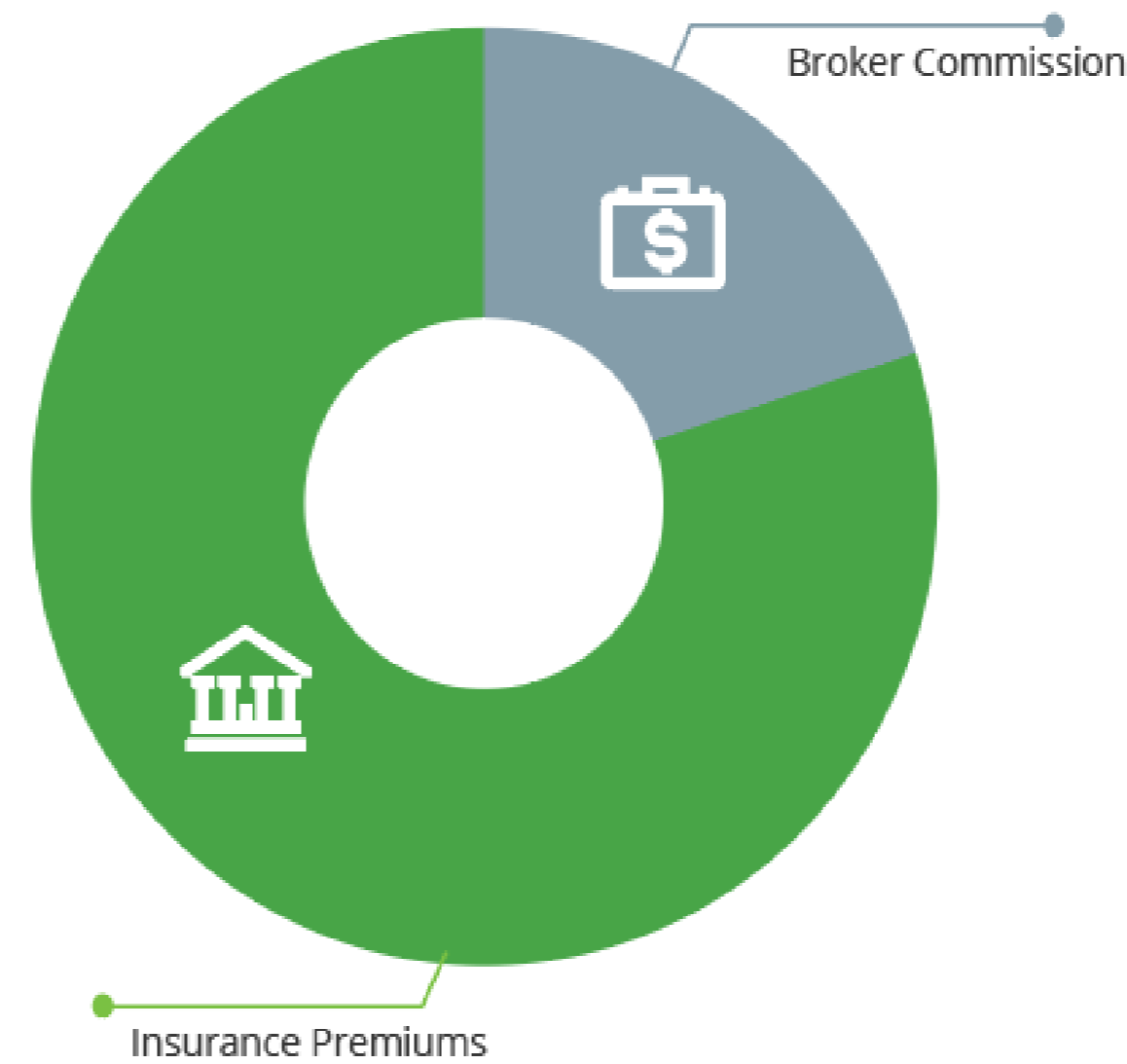
# AMM Program vs. Traditional Open Market Structure

### 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

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





# 2022-2023 Loss Pool Structure

- Protected Self Insurance Fund
  - \$9,000,000 – Property, \$625,000 – Equipment Breakdown
- Self-Insured Retention Fund
  - \$2,500,000 – Liability, \$100,000 – Crime
  - Total: \$12,225,000 of member-owned funds
  - PSIP – Member-owned funds, held in trust, used to pay first portion of claims. Opportunity for return of premium
  - SIR – Member-owned funds, surplus stays away from insurers same as PSIP, used to purchase coverage in concurrent years.
  - Important: On annual basis actuarial review is completed to find best balance of member-owned funds vs. excess insurance dollars to provide the most value to program participants.



# How are returns of premium calculated?

- Once a loss pool has matured, in that all claims payouts have been issued, program participants receive a portion of their premiums paid per dollar paid.
- E.g. “ABC Municipality” makes up 1.65% of total property premium during policy term out of all program participants. A \$4,000,000 surplus of funds is able to be returned back to participants on renewal.
- $\$4,000,000 \times 0.0165 = \$66,000$  in return of premium
- \*These are funds that on traditional open-market solution would go to **insurance industry** as profit.
- ***Focus and goal of AMM General Insurance Program is to provide best product and service, manage risk effectively, and return excess surpluses back to municipalities.***
- ***Over \$19.75 million in returns of premium have been issued back to municipalities since 2010 !***



# Risk Management

- Risk Management remains a pivotal component to the success of the AMM General Insurance Program
- Complete risk management surveys of municipal buildings and recreational facilities
- 100 buildings surveyed in 2021 amidst pandemic
- Assist municipalities with questions regarding property claims and liability issues
- Provide bulletins and checklists for buildings that remain vacant/unused due to COVID-19
- 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 Risk Management at a Glance – Central repository for risk management guidance (available online)



# 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 2022 year.



# AMM Infrastructure Grant

- Western Financial Group Communities Foundation celebrated its 20th anniversary of donating to communities across Canada
- Pleased to announce the first inaugural Association of Manitoba Municipalities Infrastructure Grant created.
- \$5,000 grant donated to municipality by random draw for a renovation or build of a publicly owned asset to improve their community.
- 63 applications received, fortunate to be able to draw two winners this year
- 2021 Winners:
  - ▶ Rural Municipality of Cartier
  - ▶ Hamiota Municipality
- **Application for 2022 Infrastructure Grant will be issued in Oct.**



# AMM Insurance Program

---

# Employee Benefits



# 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

Plan participation in 2022 is now over **80%** whereas, participation in 2013 was only **50%**

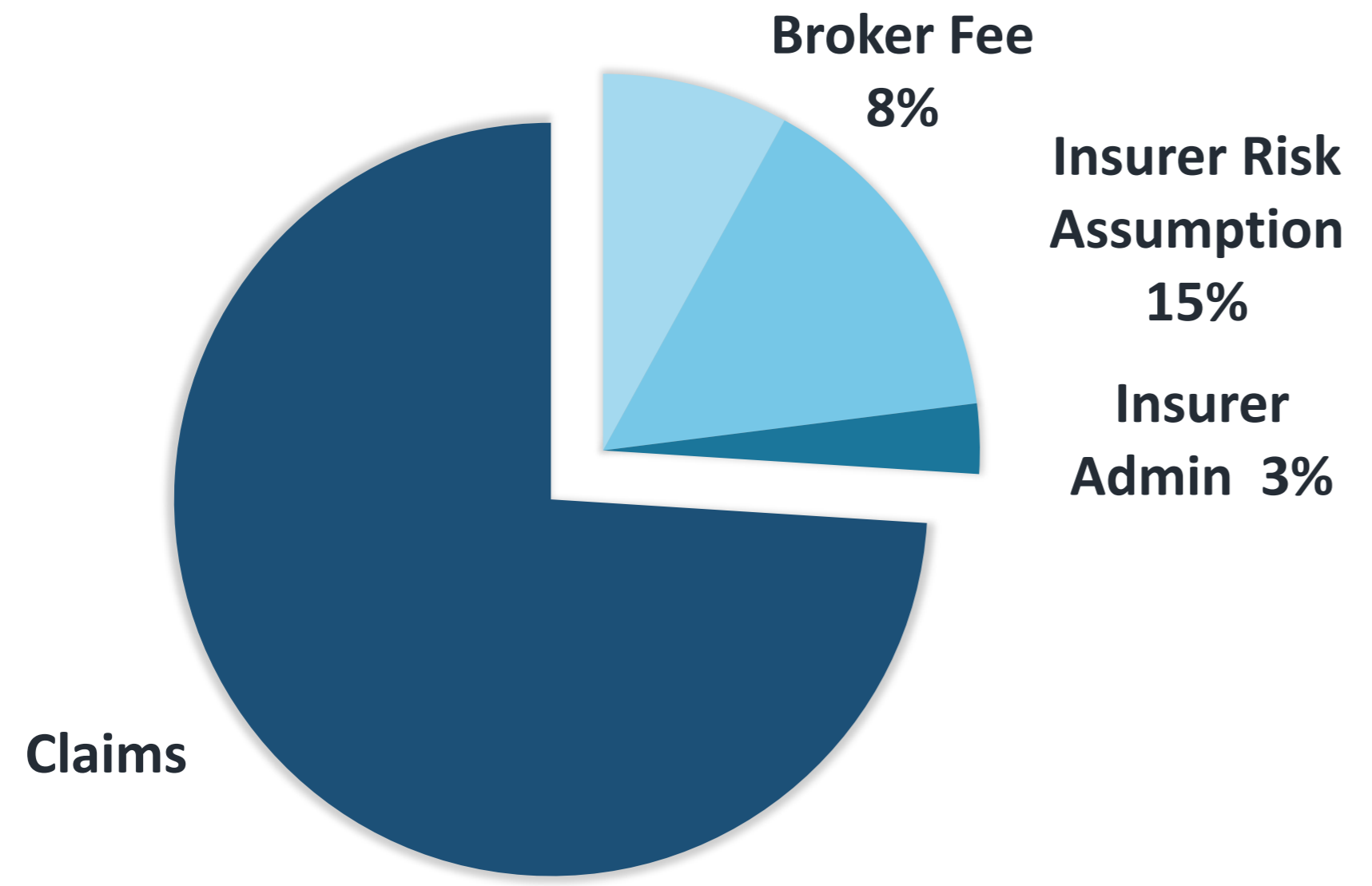
The increased participation not only provides premium growth for the AMM Employee Benefits Program but importantly provides an enhanced level of protection against large health claims for all members. This provides a safety net for those Municipalities who may experience a bad year of claims.





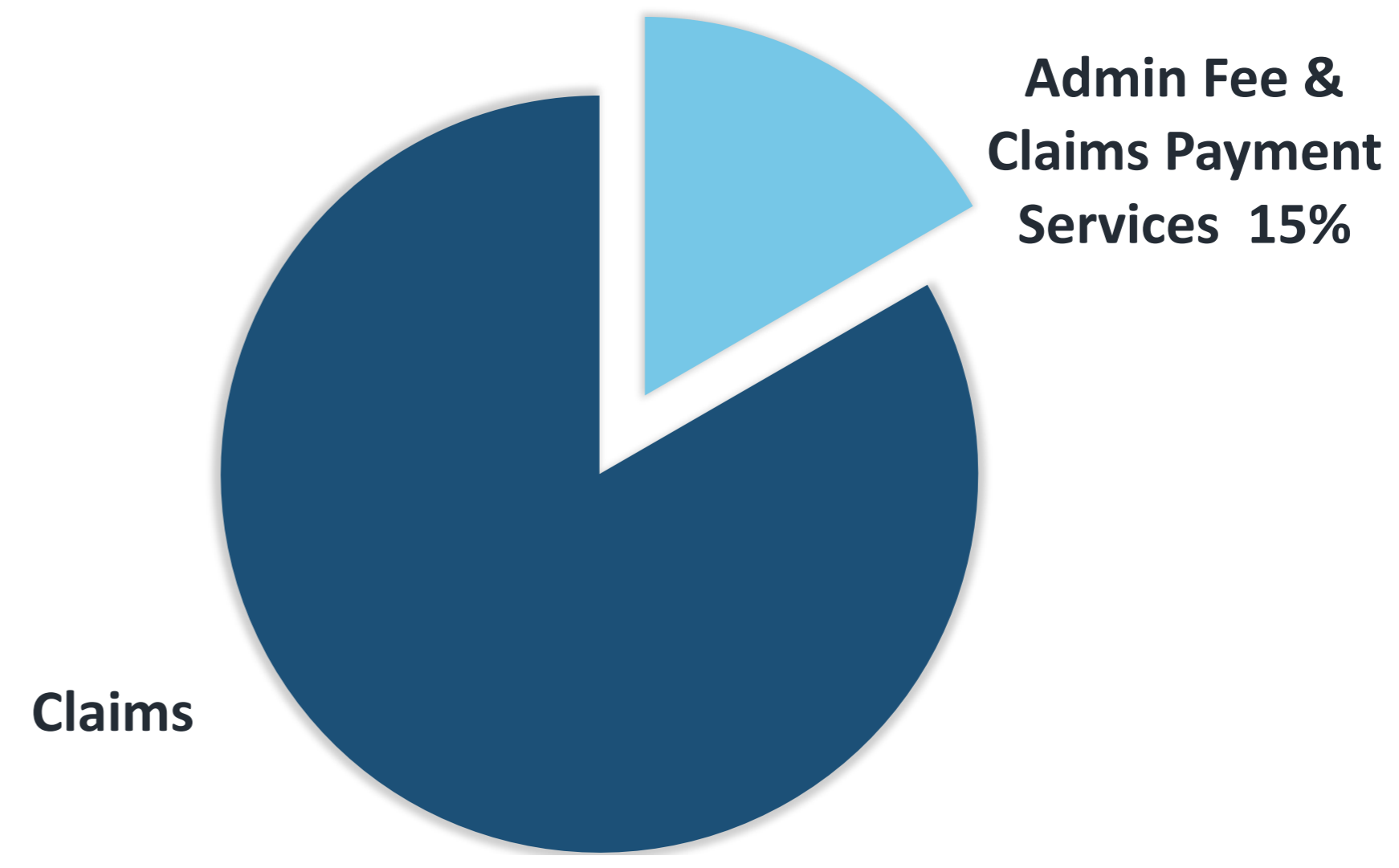
# AMM Employee Benefits Pooled Structure

## 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** has 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.



# Thank You

