

# Northern Communities Insurance Program (NCIP) Northern Communities Insurance Exchange (NORCIX)

## 2014 ANNUAL REPORT

### ASSET MANAGEMENT PROGRAM

The Northern Communities Insurance Program has had an appraisal program in place for its members since 1992. The main reason the program was established was to satisfy our underwriters that the asset values the communities were declaring were true replacement cost values.

Prior to 1992, our underwriters were required to fully replace two buildings which turned out to be insured for half their replacement value. By instituting an appraisal program we were able to avoid some serious restrictions to our insurance coverage.

Over the years the appraisal program has proved its worth in providing valuable information on each building, including a complete list of all contents and the identification of hazards that could cause a loss to the property or injury to the public. In addition to buildings and contents the appraisal provides valuations on all mobile and emergency equipment.

Every five years a site visit is performed by our appraiser with updates being provided annually. In 2012 we expanded the appraisal program to include Funding Reports for all the major buildings in each community.

These reports provide important information on the life cycle and future maintenance costs of each building. This information will assist communities with the budgeting of maintenance costs for every building over the next 25 years.

By 2018 all communities in Canada must have an Asset Management Program in place in order to receive federal gas tax money. The additional information included with the appraisals sets the foundation for an overall asset management program for each community. We continue to work closely with the territorial Department of Municipal and Community Affairs on additional components to facilitate a full asset management program for communities.

This will include such additional products as:

- Maintenance Inspection forms for mobile equipment and vehicles
- Smart Management Practice information
- Maintenance videos for mobile equipment and vehicles
- Service and maintenance schedules for water treatment plant equipment
- Piping and infrastructure
- Roads, sidewalks, outdoor recreation facilities

*Continued on Back Page*

# 2012 FINANCIAL RESULTS

NORCIX revenues were up slightly from last year due to increases in the number of insured vehicles and increases in property values.

NCIP continues to hold the line on rate increases to our members by absorbing all increases in the costs of our excess insurance and additional funding required for

NORCIX from our actuary reports.

There is no doubt that NORCIX has been a very successful program for communities over the past 10 years. Along with stabilizing rates we have been able to provide additional services and credits such as the Appraisal, Asset Management, Loss Prevention

Incentive Program and claims credits on renewal.

The total of amount of credits and services provided to our members through NORCIX Stabilization Fund this past year amounted to \$662,000. By self-insuring the most significant portion of our risks through NORCIX, we have saved community governments more than \$18 million over the past 10 years.

The past year was the worst year on record for losses since the start of our insurance program in 1978. Until this years, we had never experienced a loss on the program in excess of \$1,000,000.

Even though the total value of claims for 2013 – 2014 was just over \$2.5 million dollars, NORCIX will not be required to pay the full amount.

NORCIX has a cap in place that limits our losses to \$1,000,000 annually for each of the Property, General Liability and Auto Liability.

In spite of the worst year on record NORCIX is on very stable financial ground and as a result is capable of handling a fairly large loss year if necessary.

In addition to past reserves putting us in good financial position to pay losses, we had a reasonable return on our investment income of \$817,000 for the year. This is more than twice as much as last year and goes a long way in helping to pay the claims and other programs for the year.

## NORTHERN COMMUNITIES INSURANCE EXCHANGE Statement of Operations (unaudited) March 31, 2014

	2014	2013
<b>REVENUES</b>		
PREMIUM PROPERTY	\$ 966,967	\$ 926,601
PREMIUM LIABILITY	\$ 649,999	\$ 655,683
PREMIUM AUTO LIABILITY	\$ 69,051	\$ 73,639
PREMIUM AUTO PHYSICAL	\$ 129,920	\$ 164,459
	<u>\$ 1,815,937</u>	<u>\$ 1,820,382</u>
<b>DIRECT COSTS</b>		
Incurred claims and expenses	\$ 1,170,490	\$ 382,075
Claims expense recoveries	\$ -	\$ (10,000)
Change in provision for claims reserves	\$ 116,675	\$ 590,071
Premium taxes	\$ 58,240	\$ 58,982
	<u>\$ 1,345,405</u>	<u>\$ 1,021,128</u>
	<u>\$ 470,532</u>	<u>\$ 799,254</u>
<b>GROSS MARGIN</b>		
<b>EXPENSES</b>		
<b>STABILIZATION FUND EXPENSES</b>		
Appraisal and asset management program	\$ 194,421	\$ 198,798
Claims experience credits	\$ 167,235	\$ 125,000
Loss prevention credits	\$ 227,508	\$ 160,392
Premium stabilization credits	\$ 9,444	\$ 9,764
NWTAC insurance program cost recovery fee	\$ 63,847	\$ 31,537
	<u>\$ 662,455</u>	<u>\$ 525,491</u>
<b>OPERATIONAL EXPENSES</b>		
Actuary fees	\$ 19,485	\$ 20,520
Board insurance	\$ 35,000	\$ 35,000
Broker fees	\$ -	\$ 20,000
Consulting fees (claims program)	\$ -	\$ 12,659
Interest and bank charges	\$ 134	\$ 73
Office expense	\$ 369	\$ 201
Professional fees (auditor and legal)	\$ 164	\$ 15,748
Board travel and accomodation	\$ 28,133	\$ 17,163
	<u>\$ 83,285</u>	<u>\$ 121,364</u>
<b>TOTAL EXPENSES</b>	<u>\$ 745,740</u>	<u>\$ 646,855</u>
<b>EXCESS OF REVENUES OVER EXPENSES</b>	<u>\$ (275,208)</u>	<u>\$ 152,399</u>
<b>INVESTMENT INCOME</b>	<u>\$ 817,041</u>	<u>\$ 443,466</u>
<b>EXCESS REVENUE OVER EXPENSES</b>	<u>\$ 541,833</u>	<u>\$ 595,865</u>

# LOSS PREVENTION INCENTIVES PROGRAM

After seven successful years, NORCIX has looked for ways to give back to the members some of the good fortune NORCIX had experienced, and continue to maintain our good record with the underwriters in our excess insurance layers.

The NORCIX board wanted to return some funds to the members while continuing to reduce and eliminate losses. This resulted in the implementation of the Loss Prevention Incentive Program.

In 2010 NORCIX set aside \$1,500,000 in funding for communities to access through a program of workshops, building inspections and other loss prevention activities for a period of three years. The program was extended for a further three years in 2013 and the total amount increased to \$2,000,000.

In order to access the funds communities only needed to participate in a one day work shop and perform building inspections.

Most communities have taken the workshop and

completed some of their building inspections. However, there are still a number of communities who have yet to take the workshop and a number are missing out on the cash available for building inspections.

We will continue to deliver the loss prevention workshop with increased focus on assisting communities in getting their inspections completed over the next year.

NORCIX has close to \$2,000,000 remaining in Loss Prevention funds for participating in the workshop and inspections of community property. 25 % of loss prevention funds were once again distributed to the community members in the form of a good overall claims credit on the renewal invoice.

The remaining 75% is available to communities for the workshop and building inspections. Giving money back to the members in this way benefits the communities as well as NORCIX.

## Other Loss Prevention Activities Include:

**Safety Videos:** We continue to provide safety videos to each community for the purpose of staff training. There about 80 short videos contained on each compact disc which cover a variety of safety topics.

**Posters:** Anti- vandalism posters were created and distributed to all the communities to be put up around the community with the hope of reducing vandalism within the community.

**Pot Hole Advertisements:** NORCIX places ads in newspapers to remind the public that to be careful while driving. This has proven to be an effective legal defense if the community government is sued for damages to vehicles as a result of pot holes.

**Contract Review:** NORCIX performs contract reviews and pays for development of contracts which communities typically use throughout the year, such as water and sewer contracts, requests for proposals, public works contracts and construction contracts. We have a library of tender packages, RFP packages and other contracts communities can use for work that is contracted out.

### NORTHERN COMMUNITIES INSURANCE EXCHANGE BALANCE SHEET (Unaudited) March 31, 2014

ASSETS	2014	2013
<b>CURRENT</b>		
CASH ON HAND	\$ 261,278	\$ 41,460
INVESTMENTS IN CANADIAN DOLLARS	\$ 13,546,453	\$ 13,129,412
PREPAID EXPENSES	\$ 33,613	\$ 18,963
ACCOUNTS RECEIVABLE	\$ -	
	<u>\$ 13,841,344</u>	<u>\$ 13,189,835</u>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
ACCOUNTS PAYABLE & ACCRUED LIABILITIES	\$ 25,000	\$ 22,999
CLAIMS RESERVES	\$ 1,059,488	\$ 947,813
IBNR RESERVES - Property, Liability, auto	\$ 1,248,323	\$ 1,248,323
UNALLOCATED LOSS ADJUSTMENT EXPENSE	\$ 50,917	\$ 50,917
	<u>\$ 2,383,728</u>	<u>\$ 2,270,052</u>
<b>NET ASSETS</b>		
INCENTIVE PROGRAM OPENING BALANCE	\$ 2,657,139	\$ 942,531
INCENTIVE MONEY PAID OUT IN THE YEAR	\$ (394,743)	\$ (285,392)
INCENTIVE MONEY AT THE END OF THE YEAR	\$ 2,262,396	\$ 657,139
OPENING ACCUMULATED SURPLUS	\$ 8,258,644	\$ 9,381,387
CURRENT OPERATING SURPLUS	\$ 541,833	\$ 591,865
TRANSFER FROM RESERVES	\$ 394,743	\$ 285,392
CLOSING ACCUMULATED SURPLUS	<u>\$ 9,195,220</u>	<u>\$ 10,262,644</u>
TOTAL RESERVE AND ACCUMULATED SURPLUS	\$ 11,457,616	\$ 10,919,783
<b>TOTAL NET ASSETS</b>	<u>\$ 13,841,344</u>	<u>\$ 13,189,835</u>

# Renewal Negotiations

NORCIX is a self-insurance pool owned by the community members. It insures the first \$1 million of each property, general liability, auto liability and 100 % of auto physical damage losses.

The \$1 million of insured losses is the most predictable and by far the most expensive portion to insure. This is where 99 % of losses occur. Liability and especially property losses can exceed the \$1 million layer that NORCIX insures. It becomes necessary to buy “excess” insurance from other insurance companies to cover the large values of community property and potential liability claims.

Excess insurance is purchased from different insurance companies in layers of \$5, \$10 or \$20 million. This results in a number of insurance companies participating in our insurance program to achieve the higher limits that NORCIX needs. In conjunction with our broker Aon, we annually meet with our excess insurers to review program performance and loss prevention, and to plan for the future.

Every 3 to 5 years we review what other excess insurers offer and who may want to participate in our program. This gives us an opportunity to enhance coverage and negotiate better terms. This marketing process began at the end of January 2014 with visits to current insurers and potential new insurance companies.

In spite of the worst year for losses on record, our broker Aon was able to present the Insurance Committee with a options from several insurers. One of our excess insurers who currently participate in the upper layers is taking on a much larger role on the entire program. They are an underwriter which specializes in municipal insurance in Canada and internationally and are committed to our business sector. By moving more of our program to them, we are able to enhance some of the coverage and get a reduction in our excess insurance rates, reducing the increased insurance costs absorbed by NORCIX.

## CONTACT US

### Ron Dennill

Insurance Program Manager  
ron@nwtac.com  
Cell: (867) 445-1422 (24 hrs)

### Cynthia Horton

Insurance Program Consultant  
cynthia@nwtac.com

www.nwtac.com/insurance  
Tel: (867) 873-8359  
Toll Free: 1-867-973-8359  
Fax: (867) 873-3042  
#200, 5105 50th Street  
Yellowknife NT X1A 1S1

## Asset Management Program

### *Continued from Front Page*

- solid waste sites and sewage treatment facilities

Having this kind of information puts NWT communities well ahead of most communities in Canada with the requirement of an asset management program.

In addition to providing valuable information for asset management the data contained in the appraisal has assisted MACA with their community funding review. It has provided good detailed information on the future costs to communities to properly maintain their buildings.

The community owned insurance company NORCIX is in the business of paying for unexpected losses. When buildings, mobile equipment and vehicles are well maintained NORCIX will no doubt be paying less in losses and save communities money in unscheduled maintenance and repairs.