



## SUMAssure – BRINGING MEMBERS PEACE OF MIND

The SUMAssure Insurance Reciprocal is growing by leaps and bounds. Since 2008, SUMAssure has offered Saskatchewan's urban governments a chance to get off of the traditional insurance treadmill and control their own insurance costs by owning their own insurance company. This clearly was an opportunity worth undertaking, as subscribing members have seen their insurance coverage improve, their insurance rates go down, and subscribers have gained considerable equity in the reciprocal and all within just a few short years.

On October 1, 2009, SUMAssure began operations as the first-ever Saskatchewan-domiciled insurance reciprocal. For years, reciprocals based elsewhere in Canada have operated in Saskatchewan protecting organizations like our universities and hospitals. Since the late 1980s insurance reciprocals for local governments have been well established in other provinces. Those groups have years under their belts and war chests full of money. Saskatchewan appears to be catching up!

Great...but what exactly is an insurance reciprocal?

Let **Jason Minvielle** explain. Jason is one of the many Regina- and Saskatoon-based employees of Aon Risk Services that work on the SUMAssure Insurance Reciprocal.

"The entity is called a reciprocal because each urban municipality shares reciprocal agreements of indemnity with the other urban municipalities," Jason says. "Basically, they agree to mutually share in each others' losses up to a certain point. All risk over the limit that the group assumes in the reciprocal is transferred to excess insurers.

"Originally SUMAssure was structured for the subscribers to absorb the first

\$250,000 in liability claims and the first \$250,000 in property claims, the maximum possible exposure for the group being \$500,000 that first year. The program has already evolved to where the group can now absorb a combined total of property and liability losses of \$750,000.

"That amount essentially acts as a large group deductible to save premium dollars by providing a buffer between our municipalities and the insurance marketplace. Anything over and above the annual aggregate is transferred to excess insurers. Before we even start a new policy period on October 1 of any given year, we can pretty much determine our year-end profit within just a few dollars."

Today, the total combined insurable value of SUMAssure's subscribers is well over a billion dollars. When SUMAssure comes knocking, looking to place excess insurance coverage for the group, even Bay Street takes notice. By placing excess insurance coverage together as a group, the smallest resort village in Saskatchewan can have marketing power that was impossible alone in the traditional insurance marketplace.

Aon manages both the day-to-day operations of SUMAssure, and the financial and regulatory requirements required by various statutes. SUMAssure is regulated by *The Saskatchewan Insurance Act* via the Superintendent of Insurance, and governed by a Board of Directors – the majority of which is made up of administrative and elected officials from SUMAssure's subscribing municipalities.

Aon's job is no small task, as it not only manages the Guarantee and Reserve Funds required by the Act, but also has to manage the group's ever-growing surplus funds. "It is nice when I can go to a council meeting and I can actually quantify the equity any town or village

has in SUMAssure after only a few years," says Jason. "I was attending an evening council meeting a few weeks ago and another broker was pitching an alternative insurance quote to the town. Although the premium was about \$40 lower annually, it was from a traditional insurance program based in Ontario."

Jason was able to illustrate to council that the municipality had already earned over \$18,000 in equity in the SUMAssure program. He estimated that the equity would increase by another \$12,000 by October 31, 2012. "It kind of made the decision a no-brainer for council when they realized they would be walking away from \$30,000 to save \$40."

What to do with those ever increasing surplus funds is a decision that the SUMAssure board will address over time. Aon is advocating a "stay the course" direction for SUMAssure but there is increasing pressure from subscribing municipalities to begin issuing dividends already.

Jason shares Aon's position that dividends should not be issued until the group's surplus funds exceed \$5 million or perhaps even \$10 million.

"The point of SUMAssure's establishment was to stabilize insurance rates and provide a level of budget predictability and not become a revenue stream for subscribers. However, all that being said, we do take our direction from the subscribers through their Board of Directors so if that is the decision, we will abide by it.

"The money belongs to the subscribers, not Aon, not SUMA and certainly not the insurance companies. It is a good problem to have and I am pleased to see the financials so strong for the group. We continue to grow on all fronts – better coverage, membership and surplus funds. More municipalities are embracing the

reciprocal concept so those surplus funds are really going to have a snowball effect and grow at an even faster pace. The dividends will come but we want our group to be prepared for the next inevitable spike in insurance rates. That day *will* come and SUMAssure will be ready. Our members can rest assured that they are building a house of stone and not straw,” says Jason.

As Jason continues, he explains how rewarding it is for him to meet with a council that fully understands the significance of what SUMAssure is working toward. Even more rewarding for him is when the local insurance broker from a town or village is actually a member of council and fully supports the program. “When you have the local broker stand up and say ‘*Hey, I simply cannot offer the same level of coverage for the same price and, at the same time, have my municipality earn equity in SUMAssure to secure a better future for my municipality*’. It is their community too after all and you can’t help but respect a business person that can appreciate the bigger picture like that.”

SUMAssure’s membership base continues to grow. Originally set up with 132 municipalities including one city, SUMAssure has grown to include 56 towns, 79 villages, 15 resort/northern villages, two utilities and four cities.

Interest from the other larger centres is growing rapidly. The cities of Meadow Lake and Humboldt are some of Saskatchewan’s larger centres to recently subscribe to the SUMAssure Program. **Steve Brown**, Director of Finance for the City of Humboldt, was so impressed with SUMAssure that he has become its newest board member.

“Risk management and loss prevention are key areas that SUMAssure will be concentrating on in the near future while investigating innovative ways to add value for subscribers,” Steve says. “Rather than just paying premiums and waiting for a claim to possibly happen, SUMAssure is proactive and attempts to prevent losses before they happen. Recently, SUMAssure has provided seminars and risk management bulletins on managing special events, environmental impairment liability for

the public sector, insuring to value and has an upcoming seminar on preventing crime losses. The additional training and communication provided by SUMAssure was additional value received by the City of Humboldt in addition to the competitive pricing and improved insurance coverage.”

Brown and the rest of the SUMAssure Board of Directors are excited about the future of SUMAssure as the group now has more funds to embark on further risk management initiatives beginning in 2013 with full risk control and loss prevention assessments on SUMAssure’s top 120 exposures to loss.

“Essentially, every facility that the group insures over \$2 million in value will be professionally inspected and, next year, we hope to inspect another 50 sites. SUMAssure is putting its money where its mouth is and is investing in our subscribers. Every member, not just the municipalities that own them, benefits from preventing loss at those locations. It’s more money in everyone’s pocket at the end of the day,” Steve says. “That’s the benefit of subscribing to SUMAssure.” ■

## From little acorns, do mighty oaks grow



157 Subscribing Urban Municipalities



Retained Earnings and Surplus of \$2,263,400



\$1,042,662,274 in Property Values Insured



Broader Policy Wordings  
and Fewer Exclusions



Pro-active Risk Control Programs

