

**REPORT ON THE INSURANCE & BENEFIT PROGRAMS
OF THE SASKATCHEWAN ASSOCIATION
OF RURAL MUNICIPALITIES
FOR THE YEAR 2007**

The following is a report on the activities of the self-insurance plans and the group benefit programs of the Saskatchewan Association of Rural Municipalities for the year 2007.

SARM BENEFITS PLAN

The SARM Benefits Plan is self-insured by the rural municipalities that choose to participate in the plan. It provides short-term disability benefits, death benefits, vision care benefits, maternity benefits, and accidental death and dismemberment benefits, to participating municipalities on behalf of their employees and elected and appointed officials.

Two significant changes were made to the SARM Benefits Plan Regulations effective January 1, 2007, both as a result of resolutions passed by the members. A new benefit was added to provide coverage for \$30,000 for accidental death and coverage on a sliding scale for accidental injuries such loss of limbs, vision or hearing. Also effective January 1, 2007, the age limit of 65 was removed for employees and for elected and appointed officials. To accommodate these changes the premium rates were increased for 2007 and remained at that level for 2008. The following table outlines the current annual premium rates for the SARM Benefits Plan.

Inside employees:	1.6% of insured salary
Outside employees:	1.85% of insured salary
Individual Elected Officials:	2.1% of insured coverage amount
Elected and Appointed Officials	\$325 for \$30,000 coverage
Group Coverage (per RM):	\$600 for \$40,000 coverage \$875 for \$50,000 coverage

At the end of 2007, 294 rural municipalities were participating in the SARM Benefits Plan, with 1,551 employees enrolled. The number of employees enrolled has increased due to the removal of the age limit. Group coverage for elected and appointed officials is available at three coverage levels. Coverage at \$30,000 was taken by 180 municipalities; 17 municipalities chose coverage at \$40,000; and 17 municipalities opted for coverage at \$50,000. The group coverage is limited to a disability arising out of an injury which occurred, or to death occurring, while the official is engaged in official municipal business; and is a top-up to Workers' Compensation coverage.

Municipalities can also insure any of their eligible elected officials for disability and death benefits, on an individual, 24-hour basis, for a premium rate of 2.1% of the annual coverage amount. Only 15 individuals were insured under this coverage in 2007.

The breakdown of claims paid for 2007 is as follows:

Disability Benefits	\$441,297
Vision Care Benefits	74,689
Maternity Benefits	6,000
Death Benefits	35,000
Accidental Death & Dismemberment	<u>0</u>
	\$556,986

The total claims paid amount was lower than the past several years, which contributed to an overall surplus of approximately \$360,000 for the year 2007.

GROUP BENEFIT PROGRAMS

The following group benefit programs are currently underwritten by outside insurers. SARM is the Policyholder of each program and administers the enrollment of members. A brief description and participation numbers for each program are included in this report.

Long-Term Disability Benefits

Long-Term Disability (LTD) Benefits for all employees have been available since January 1, 1995. This program was underwritten by Great-West Life (formerly Crown Life and Canada Life) up to December 31, 2004. Premium rate renewal negotiations resulted in the decision to move the LTD Benefit Program to Standard Life beginning in 2005, with no changes to the overall benefit provisions and a reduction in the premium rates. The premium rates remained at that level for 2006 and 2007, however, rates did increase for 2008.

Coverage for the Administrator of the municipality is mandatory, with the exception of those administrators who are currently exempt under the RMAA Bylaws. Coverage for other employees is optional, however, as it is a group plan, a municipality must cover all their eligible employees and these employees must also be covered under the short-term SARM Benefits Plan.

The LTD benefit is the lesser of 65% of gross monthly earnings and 85% of inflation-indexed, pre-disability net earnings. The benefit is payable to age 65, provided the individual remains disabled according to the terms of that policy. The maximum benefit was previously \$3,000 per month, however, as of January 1, 2008 it was increased to \$10,000 to better reflect what many employees are actually earning.

At the end of 2007, 220 rural municipalities were covering all their employees bringing the total enrollment to 1,171. The number of RMs covering all their employees for this benefit continues to increase each year.

Extended Health and Dental Benefits

The Extended Health and Dental Benefits program has been available to rural municipal employees, elected and appointed officials, and their families since January 1, 1997. The program was designed to give employees and councils maximum flexibility in choosing their coverage levels, while still maintaining the concept of group insurance.

From 1997 to 2003 this program was also underwritten by Canada Life, and since 2004 this program has been with Saskatchewan Blue Cross. Premiums are based on the claims experience of our group and tend to fluctuate year by year, decreasing in 2005 and then increasing in 2006. There was no change for 2007 and a slight increase for 2008.

Participation in this program again increased throughout 2007, with 251 rural municipalities covering 1,460 individuals for Health and Dental Benefits.

Optional Life Insurance

Optional Term Life Insurance at group rates has been available to rural municipal employees and their spouses and to elected or appointed officials and their spouses since January 1, 1997. This program was also underwritten by Great-West Life up to December 31, 2004, and was transferred to Standard Life for 2005 along with the Long-Term Disability Benefits Program. Coverage is available in units of \$10,000 from \$50,000 to a maximum of six times annual salary or \$500,000, whichever is less. At the end of 2007, 183 individuals were insured under the SARM Optional Life Insurance program.

For information on the SARM Benefits Plan or the Group Benefit Programs, contact Tammy Carstensen, Employee Benefits Officer, 761-3727.

SARM FIDELITY BOND SELF-INSURANCE PLAN

The Fidelity Bond Self-Insurance Plan commenced January 1, 1994. For the year 2007 another RM joined this plan, bringing the total to 293 rural municipalities participating. The primary coverage is the Fidelity Bond coverage, which protects the RM against theft or fraudulent acts by its employees. Coverage limits range from \$10,000 to \$200,000. Also included is Money & Securities coverage for \$2,500, which insures the RM for theft by someone other than an employee; and Registered Mail coverage for \$50,000, for those municipalities that send their bank deposits by Registered Mail.

Claims expense for 2007 was \$1,250, which included an additional payment for Audit Expense on a previous claim under the Fidelity Bond coverage and two claims under the Money & Securities coverage.

SARM LIABILITY SELF-INSURANCE PLAN

Another rural municipality joined the Liability Self-Insurance Plan for 2007, bringing the total number of RMs participating in this plan to 274.

There were 140 claim files opened throughout 2007, which consists of actual claims submitted and occurrences that could potentially lead to a claim. This number is about 20% higher than in recent years. At year-end there were 68 claim files still in progress, of which 49 were claims made during 2007 and 19 were from prior years.

Claims expense for the Liability Self-Insurance Plan was \$390,271 for the year 2007, which is also substantially higher than in recent years. Five of the claims paid were greater than \$10,000 and occurred in previous years, so each RM that was participating when the claim occurred had its share of the claim withdrawn from its reserve account. Due to the high claims expense the plan incurred a deficit of \$126,092 in the operating income for 2007, rather than the usual surplus. This was charged back to the Reserve Accounts based on each RM's premium paid in 2007. However, after distributing the interest of \$498,826, the result was an overall increase, bringing the total reserve for this plan to just over \$12 million.

Amendments were made to the Agreement and Policy to allow for requiring the inspection of recreation facilities and public buildings owned and/or operated by the RM, effective January 1, 2007. The inspection process is described in more detail at the end of this report.

Excess Liability Insurance, which provides coverage over and above the \$3 million limit provided by the SARM Plan, continues to be available from another carrier. Three options are available: \$1 Million, \$2 Million or \$3 Million with the premium based on the population of the municipality and the limit of excess insurance chosen. Ninety-three rural municipalities purchased Excess Liability Insurance in 2007.

SARM PROPERTY SELF-INSURANCE PROGRAM

The SARM Property Self-Insurance Program took effect on December 31, 2002. Initially 134 rural municipalities signed on and by the end of 2007 there were 203 rural municipalities participating in their own property insurance program. One RM joined this program in 2007 and one withdrew.

Premium rates for 2007 remained the same as in 2005 and 2006. Claims expense for 2007 was \$145,468, which is substantially lower than the previous two years.

As with the Liability Insurance Plan, each municipality has its own ledger account for the Property Insurance Program. At the end of each year a portion of the profit or loss from operations for the year is allocated to each municipality's ledger account, along with interest earned in that year. At the end of 2007, a surplus of \$325,722 and interest of \$48,152 was distributed to the Individual Ledger Accounts of participating municipalities, bringing the total reserve for the SARM Property Self-Insurance Program to \$1,048,731.

For further information on the SARM Property Self-Insurance Program contact Luanne Synk, Property Insurance Officer, 761-3732.

INSPECTION OF PUBLIC BUILDINGS/RECREATION FACILITIES

Since starting the SARM Property Self-Insurance Program, we were seeing an increase in the number of public buildings such as community halls and skating rinks, being insured by RMs under the self-insurance programs. In the interest of protecting the assets of rural municipalities and in the interest of public safety, we implemented the requirement that these types of buildings

be inspected to continue to be insured under both the SARM Property Self-Insurance Program and the SARM Liability Self-Insurance Plan.

Inspections began under the Property Self-Insurance Program as of July 1, 2006, and as of January 1, 2007 under the Liability Self-Insurance Plan. Inspections will run on a five-year cycle and for the first cycle, inspections are limited to the following types of property.

- Recreation Facilities – skating and curling rinks, arenas, golf clubhouses, playgrounds, recreation centres, swimming pools, public beaches, ski hills, etc.
- Public Buildings – community halls, libraries, museums, stores, school buildings and any other building used for public gatherings.

SARM reviews all the property currently insured under the programs, and in consultation with the RM office, identifies those that fit into the above categories thereby requiring an inspection. We coordinate a schedule for inspections with the adjusters for the programs. The adjusters make the arrangements with the RM to carry out the inspections, with the focus on the building condition, general upkeep and potential fire or safety hazards.

Following the inspection of the property, the adjusters submit their report to SARM for review. It is then sent to the RM along with an invoice. The inspection reports include recommendations classified as Critical, Important or Desirable Improvement. Critical recommendations are the more serious ones that are to be remedied immediately. Important recommendations are those that should be done as soon as possible, and desirable improvements should be done if and when feasible. The most common problems found in the inspections that have been carried out so far, have been with emergency exit lights and fire extinguishers.

For property insured under the Property Insurance Program, the inspection process includes a Building Valuation Report. This report uses the building's size, age and various construction information and indicates the estimated replacement cost value and the actual cash value. RMs can then use these reports to compare those values with what they are insuring the buildings for – and make adjustments if they so choose. On the inspections done so far, many of the buildings were significantly underinsured.

The cost to the RM is \$500 for the inspection of one facility or building. If the RM has more than one property that requires inspection, the cost increases by \$150 for each additional property. After the first five-year cycle is complete, the cost will be reviewed and revised if necessary.

For further information on the SARM Insurance Plans and Group Benefits, contact:

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