

**REPORT ON THE INSURANCE & BENEFIT PROGRAMS  
OF THE SASKATCHEWAN ASSOCIATION  
OF RURAL MUNICIPALITIES  
FOR THE YEAR 2009**

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 2009.

**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.

The SARM Benefits Plan Regulations were amended effective January 1, 2009, to increase the Vision Care Benefit from \$200 to \$300 per calendar year. This change was the result of a request from the RMAA Executive to enhance the vision care benefit.

The premium rates remained the same as in 2007 and 2008. Current premium rates for the SARM Benefits Plan are as follows:

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 2009, 295 rural municipalities were participating in the SARM Benefits Plan, with 1,703 employees enrolled. Group coverage for elected and appointed officials is available at three coverage levels. Coverage at \$30,000 was taken by 179 municipalities; 19 municipalities chose coverage at \$40,000; and 21 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 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 16 individuals were insured under this coverage in 2009.

The breakdown of claims paid for 2009 is as follows:

Disability Benefits	\$620,742
Vision Care Benefits	116,979
Maternity Benefits	5,000
Death Benefits	25,000
Accidental Death & Dismemberment	<u>0</u>
	<b>\$767,721</b>

Although the total amount paid for all type of claims was slightly less than in 2008, the vision care benefits were approximately 50% higher due to the increase to \$300 as described earlier. The SARM Benefits Plan had a surplus of just over \$300,000 for the year 2009.

## **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 is currently underwritten by Standard Life.

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. Beginning in 2008, the maximum monthly benefit was increased from \$3,000 to \$10,000 per month, to better reflect what many employees are actually earning.

At the end of 2009, 229 rural municipalities were covering all their employees bringing the total enrollment to 1,314. The number of RMs covering all their employees for the Long-Term Disability 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.

This program is currently underwritten by Saskatchewan Blue Cross. Premiums for the SARM group policy are based on the claims experience of our group and tend to fluctuate year by year. For 2009, both the health care premiums and the dental care premiums decreased by approximately 5% from 2008.

Participation in this program again increased throughout 2009, with 257 rural municipalities covering 1,627 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 is also currently underwritten Standard Life.

Coverage is available in units of \$10,000 from a minimum of \$50,000 to a maximum of six times annual salary or \$500,000, whichever is less. At the end of 2009, 169 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 2009 there were 293 rural municipalities participating in this plan. 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.

There were no claims in 2009. The Plan realized a surplus of \$28,275 bringing the total net assets to \$183,979.

### **SARM LIABILITY SELF-INSURANCE PLAN**

The number of rural municipalities participating in the Liability Self-Insurance Plan remained at 274 for the year 2009.

There were 80 claim files opened throughout 2009, which consists of actual claims submitted and occurrences that could potentially lead to a claim. This is the lowest number of claims in many years. At year-end there were 64 claim files still in progress, of which 39 were claims made during 2009 and 25 were from prior years.

Claims expense for the Liability Self-Insurance Plan was \$159,373 for the year 2009, which is about average. Two claims that were paid were for amounts greater than \$10,000 and they occurred in a previous year, so each RM that was participating when the claim occurred had its share of the claim withdrawn from its reserve account. A surplus of \$310,705 and interest of \$610,869 was also distributed to the reserve accounts, bringing the total reserve for this plan to \$13,368,561.

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 of excess insurance 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-six rural municipalities purchased Excess Liability Insurance in 2009.

### **SARM PROPERTY SELF-INSURANCE PROGRAM**

The SARM Property Self-Insurance Program took effect on December 31, 2002 with 134 rural municipalities participating initially. At the end of 2009 there were 205 rural municipalities participating in their own property insurance program.

Premium rates for 2009 remained the same as in recent years. Claims expense for 2009 was \$500,347, which is again higher than previous 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 2009, a surplus of \$29,483 and interest of \$82,221 was distributed to the Individual Ledger Accounts of participating municipalities, bringing the total reserve for the SARM Property Self-Insurance Program to \$1,311,266.

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

## **INSPECTION OF PUBLIC BUILDINGS/RECREATION FACILITIES**

Since the start of 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, the SARM Board of Directors 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. It is intended that the 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 insurance 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 that could lead to a property loss or an injury resulting in a liability claim.

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 cost to the RM is \$500 for the inspection of one property or facility, regardless of where the RM is located. If you have more than one property that requires inspection, the cost will increase by \$150 for each additional property. The actual cost of the inspections completed to date has exceeded the amount invoiced to RMs, with the shortfall being funded by the two insurance programs. After the first five-year cycle is complete, the cost will be reviewed and revised if necessary.

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. There have been very few of this type of recommendation for the properties inspected so far. 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 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 found to be significantly underinsured, resulting in many RMs increasing the amount of insurance they are carrying on those buildings.

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

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