



Nunavut Association of Municipalities  
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Nunavunmi Nunaliit Katojikatigūgit

AFOA Canada National  
Conference  
February 12-14, 2008

*Taking Control:*

*A Made in Nunavut Solution to  
Managing Insurance Risk*

# YOUR PANEL

- Elisapee Sheutiapik , Mayor Iqaluit,  
Chair N.A.M.
- Lynda Gunn C.E.O. N.A.M.
- Peter Boucher Project Leader,  
Willis Consultant
- Doug Crossley Principle Attorney  
N.A.M.I.X.

# Agenda

- Part 1 Municipal Risk
- Part 2 Structure and Administration of the N.C.I.P.
- Part 3 Loss Funding Mechanisms
- Part 4 Nunavut Association of Municipalities Insurance Exchange

# Agenda Part 1

Elisapee Sheutiapik , Mayor Iqaluit, Chair N.A.M.

- Introduction
- NAM & Nunavut Government
- Municipal Risks
- Strategic Plan

# Introduction

Nunavut -- "our land" in the Inuktitut language - has been home to Inuit for millennia and part of Canada for more than a century. Today Nunavummiut (our peoples) are embracing traditional knowledge and values and new opportunities

Our society has undergone profound changes since the 1950's and this process accelerated in the 1990's. Our younger community members in particular have come to view their settlement as the centre of their culture because it is largely within our municipalities that they gain their experience and knowledge.

They are increasingly interested in learning about and participating in the management of the community; what infrastructure is available, how well the buildings and roads are maintained

The **NCIP** is laying an important foundation for our communities future, by retaining contingent capital in Nunavut and transferring the knowledge of how to manage risk to Nunavummiut.

# Nunavut Association of Municipalities

The Nunavut Association of Municipalities (**NAM**) was established on April 1, 1999 with the creation of Nunavut as a new territory.

The purpose of the Association is to ensure community-based government is respected and protected in all initiatives within Nunavut. More specifically:

- **NAM** represents local government in dealings with senior governments;
- **NAM** represents Nunavut municipalities in meeting with sister associations across Canada; and
- **NAM** serves its members' needs that can be best provided on a cooperative basis, such as our General Insurance Plan, and the Employee Benefits Plan.
- The membership of **NAM** consists of the 25 municipalities across Nunavut, as represented by the Mayors of those communities.

# Government of Nunavut

Nunavut the largest and newest territory of Canada formed officially in 1991 under the Nunavut Act and the Nunavut Land Claims Agreement Act

- The territory embraces both Inuit First Nation peoples and Qablunaat, peoples of European origin and more recently peoples from many other countries.
- The Government of Nunavut and the Municipalities of Nunavut represent all of the people within communities of Nunavut
- The Government of Nunavut is a funding partner to the **NCIP** and the Reciprocal **NAMIX**, through the Department of Community and Government Services

# Municipal Risk Issues

- Municipalities face considerable risk
  - They are custodians for municipal assets essential to the viability of their communities
  - They may be liable to third parties for injuries caused as a result of their operations
  - The nature of Municipal operations particularly in the north are wide and varied
- The municipalities of Nunavut have no source of contingent capital and minimal ability to raise additional funds to meet losses
- Communities face numerous property and liability risks
- Community administrators currently lack a full capability to identify, quantify and manage risk
- Commercial insurance market does not view Nunavut municipalities as one of their more desirable risks

# Strategic Plan

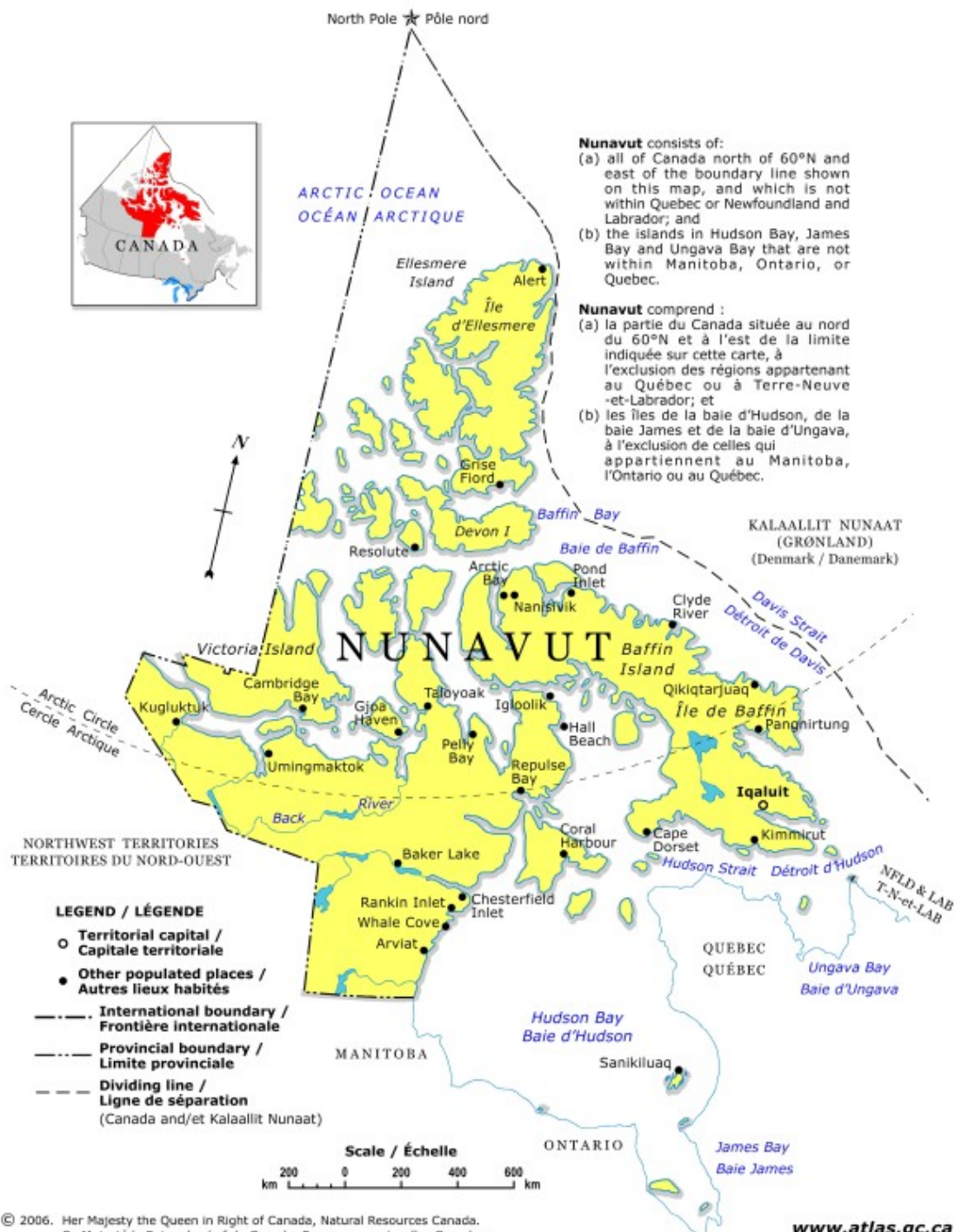
- **NAM** appointed by Member Communities to create a comprehensive insurance vehicle the **Nunavut Community Insurance Program**
- Through the **NCIP** Nunavut Municipalities will purchase insurance collectively
- One of the key aspects of the plan was to retain as much of the funds within Nunavut so that the money would continue to circulate in the community
- Local communities recognized that their knowledge – Inuit Qaujimajatuqangit – must be augmented with the best practices in managing risk and risk financing if Inuit are to achieve their full potential

# Implementation

- **NAM** on behalf of its member communities issues an Request For Proposal which is responded to by several leading insurance brokerages
- **NAM** chooses Willis Canada as its principle service provider
- An action plan is developed to create a reciprocal insurance exchange **NAMIX** which will manage primary risks on behalf of member communities
- A program structure is drafted to meet the members needs for higher loss limits which will be purchased from the commercial market
- A market plan is developed to inform commercial insurers about Nunavut risks and to collectively seek terms for a comprehensive program the **NCIP**

# Our Member Communities

BAFFIN	KITIKMEOT	KIVALLIQ
IQALUIT (capitol city)		
ARCTIC BAY	CAMBRIDGE BAY	ARVIAT
CAPE DORSET	GJOA HAVEN	BAKER LAKE
CLYDE RIVER	KUGAARUK	CHESTERFIELD INLET
GRISE FJORD	KUGLUKTUK	CORAL HARBOUR
HALL BEACH	TALOYOAK	RANKIN INLET
IGLOOLIK		REPULSE BAY
KIMMIRUT		WHALE COVE
PANGNIRTUNG		
POND INLET		
QIKIQTARJUAQ		
RESOLUTE BAY		
SANIKILUAQ		



# Agenda Part 2

## Structure and Administration of the N.C.I.P.

LYNDA GUNN, C.E.O. N.A.M.

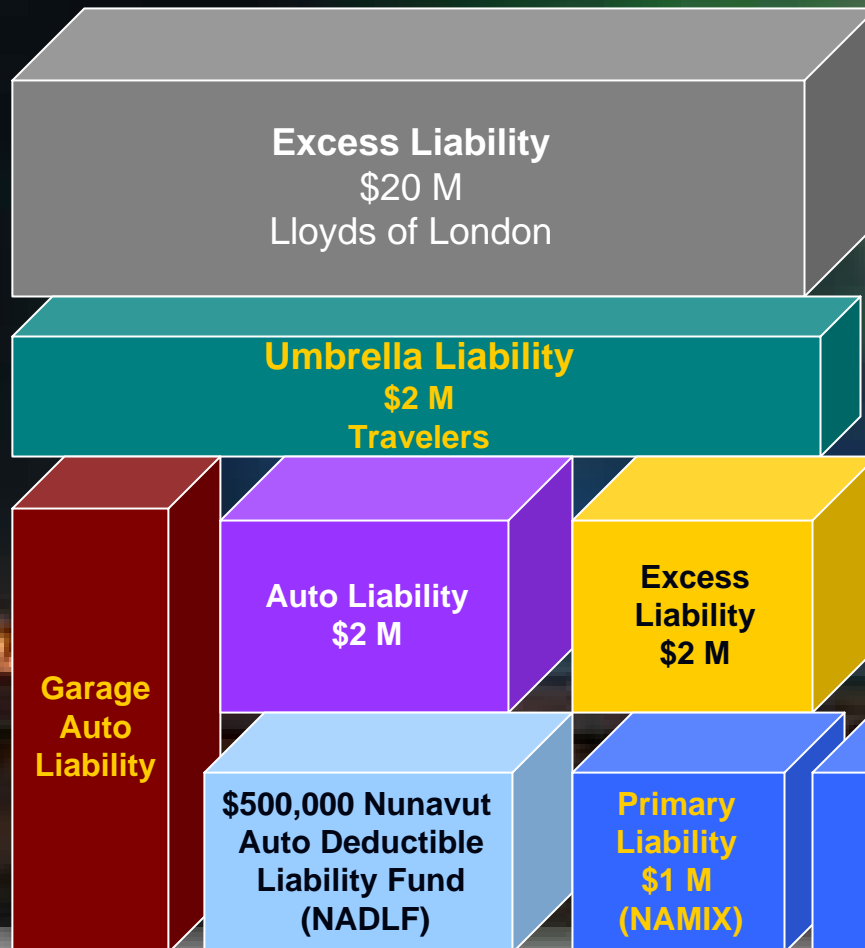
- NCIP Structure
- Administration
- Municipal Risks
- Strategic Plan

# NCIP Structure

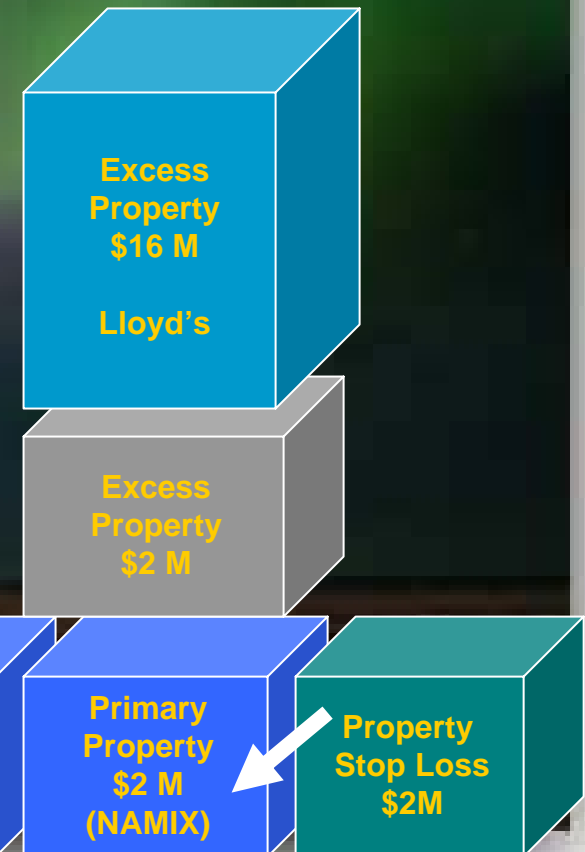
- The following slide shows the broad structure of the Nunavut Community Insurance Program
- The program combines coverage through **NAMIX** - Nunavut's reciprocal with excess coverages purchased from the commercial marketplace.
- **NAMIX** provides the primary, sometimes referred to as the 'working layer' of insurance for the communities
- Coverage provided by **NAMIX** is broader in some areas than the commercial market would be willing to offer
- The limits purchased are dictated by the values of community assets and liability limits which are believed to be adequate to cover individual community exposures

# NCIP Structure – April 01, 2007 to March 31, 2008

**\$25 M Total**



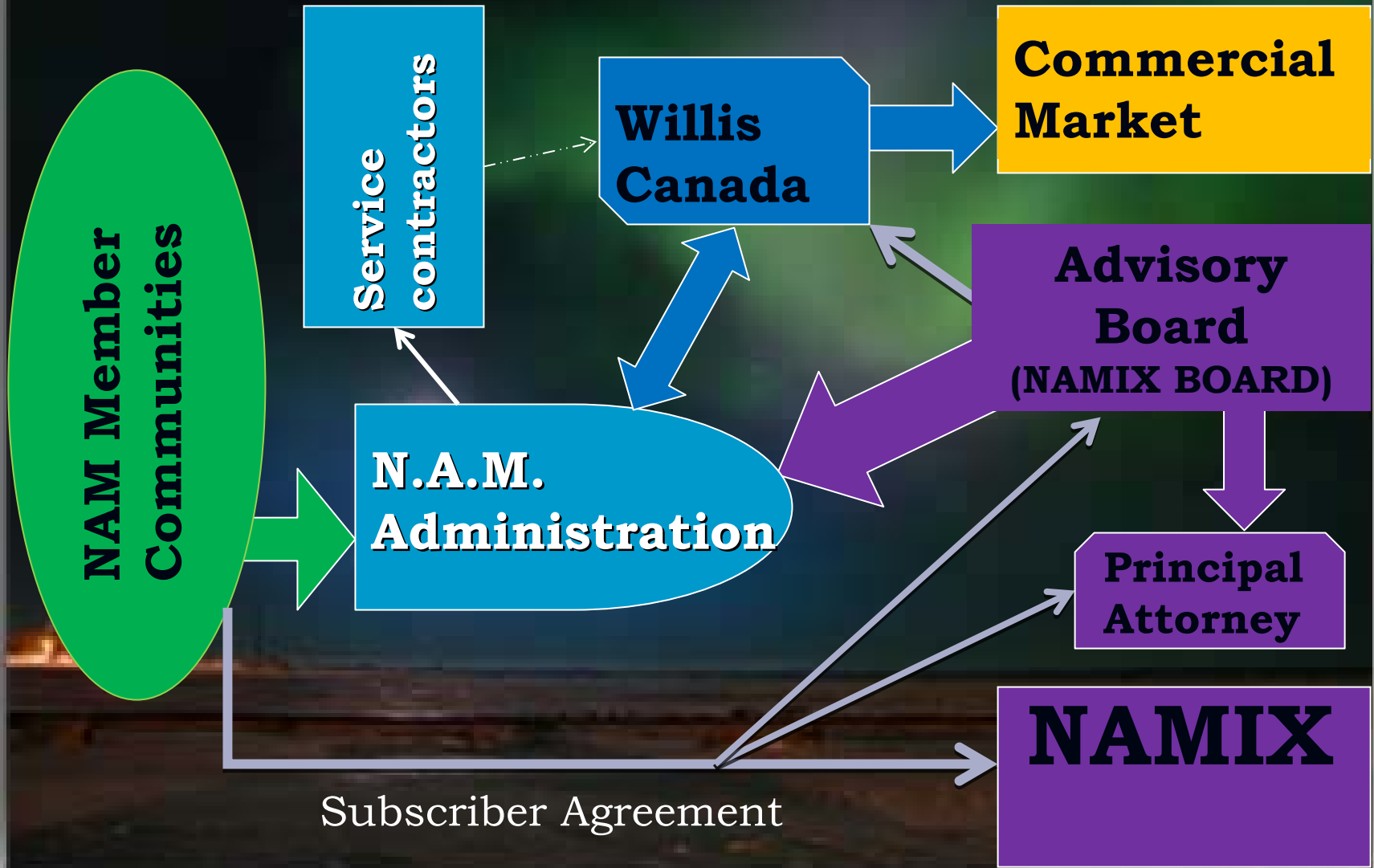
**\$20 M Total**



# NCIP Administration

- The Administration of the **NCIP** requires a commitment and contribution from a variety of personnel to function efficiently
- The key relationships are between the C.E.O. of **NAM**, the Advisory Board, **NAMIX's** Principle Attorney and the Project Leader
- **NAMIX** the community reciprocal is the foundation for the program
- The following diagram summarizes the relationships

# NCIP ADMINISTRATION



# NAM Administration

- As stated earlier one of the principle directives of the Member communities of **NAM** is the creation and maintenance of an insurance program
- **NAM** exercises the principle role in administering the **NCIP**
- The **NAM** Board is answerable to its members for the **NCIP**
- Day to Day administration of the **NCIP** is provided by the **NAM** Chief Executive Officer and Staff.
- **NAM** ratifies the recommendations of the Advisory Board with respect to the **NCIP** and **NAMIX**

# Advisory Board

- The Advisory Board administers **NAMIX** on behalf of subscribing communities who are Members of NAM
- The Advisory Board also serves as advisors to **NAM's** staff with respect to the overall **NCIP**
- Community Advisory Board Members are nominated by their communities one from each region and appointed to their position by **NAM**.
- The **G.N.** appoints a further director to sit on the Board
- Advisory Board Members are not remunerated for their work
- The Advisory Board Recommends Coverage Terms including 'premiums' (subscriptions) which are to be levied from the community and these recommendations are in turn ratified by the **NAM Board**
- The Advisory Board also states the contribution which is required from the **G.N.** based on claims and actuarial analysis

# Principal Attorney

- The Principle Attorney is empowered by subscribers to enter into contracts on their behalf
- The P.A. manages the day to day activities of **NAMIX**
  - Arranging Board Meetings and recording the minutes
  - Communicating with the G.N. Community and Government Service Department
  - Depositing funds and communicating with Banks
  - Communicating with subscriber communities
  - Arranging Training sessions
  - Negotiating and signing contracts with **NAMIX** service providers

# Willis Canada

- Willis Canada act as Project Managers for the NCIP, Willis' services include;
  - Negotiating with Commercial Insurers on behalf of NAM Member communities
  - Managing accounting functions on behalf of the NCIP & NAMIX
  - Attending Advisory Board Meetings in an ex officio capacity
  - Managing claims including setting case reserves on behalf of NAMIX
  - Working with claims adjusters
  - Providing day to day advice to NAM member communities particularly with respect to Risk Management Issues
  - Providing the Advisory Board with annual premium projections based on data in Actuarial computations
  - Providing Training material and conducting training sessions
  - Maintaining a web site with material relating to the NCIP

# Service Providers

## ■ NCIP

- Suncorp Valuations – Valuations, Community Assets
- Legal advisor - Sharek, logan, Collingwood, Van Leenun

## ■ NAMIX

- Auditors - Kourri Berezen Heinrichs
- Actuaries - Analytics Claire Camneron
- Legal advisor – Sharek, logan, Collingwood, Van Leenun
- Adjuster – Arctic West Adjusters

# Municipal Risks

Nunavut Municipalities provide a wide range of services to community members with considerable liability exposure arising from diverse operations. Some of the activities which communities are engaged in includes;

- Supplying and delivering to individual residences and business potable water
- Collecting and treating sewage
- Collecting and disposal of garbage and waste
- Provision of Volunteer Fire Fighting and Emergency Services
- Maintenance of Roads and snow clearing
- Airport Operations
- Operation of various community facilities including Arena's
- Bye Law enforcement

# Strategic Vision

**NAM**'s long term vision for the Nunavut Community Insurance Program is as follows;

- To continue to obtain competitive pricing from the commercial market through the collective purchase of insurance
- To assume greater risk within the **NAMIX** reciprocal as reserves accumulate thus retaining 'premiums' within Nunavut
- To promote Inuit culture by providing services at a community level
- To provide community based training to enable communities to become self sustaining in managing their risks

# Agenda Part 3

## Loss Funding Mechanisms

Peter Boucher F.C.I.I. C.R.M. – Willis Canada

- Contingent Capital / Project challenges
- Mutual self insurance options
- The Reciprocal Option

# Contingent Capital

- The critical issue following a loss is being able to continue to provide community services at expected levels.
- Over time a community can pay for losses providing it has access to stable funding
- For Nunavut communities mutual self insurance and co-operative purchase of excess insurance was the solution
- As you have heard the solution was the **NCIP** project

# Project Challenges

- Few insurers licensed in Nunavut willing to write Nunavut's Municipal Risk
- Communities are isolated and purchasing insurance individually places a large administrative burden on Senior Administrative Officers
- Local administrators untrained in insurance purchasing and risk management / loss control
- Smaller communities would have incurred minimum premiums disproportionate to their risk if they could find cover which was questionable
- A culture of risk management and loss prevention considered essential to protect communities but the dividend from reduced losses not likely to be retained in Nunavut if traditionally insured.

# The Options

- Mutual Insurance Program - Large deductible
- Mutual Self Insurance – Reciprocal
- Mutual Self Insurance - Captive

# Large Deductibles - Constraints

- Difficult to manage deductibles at community level
- Difficult to adjust deductible level to suit communities of very different size
- Difficult to realize appropriate premium reduction in market with few competitors

# Large Deductibles - Advantages

- lower premiums achievable
- Potentially greater market access
- Low administrative demands
- greater incentive for community loss control
- Potential “Bridge” to formal self-insurance mechanisms

# Large Deductibles - Disadvantages

- Cost of risk may exceed community ability to support if unusually high frequency of loss
- Difficult to achieve justified premium saving
- Aggregate deductible diminishes premium saving
- Loss reduction from risk management loss control flows to insurer
- Premium subject to market cycles
- Insurer continues to control claims

# Mutual self insurance - Constraints

## ■ Risk-tolerance

- catastrophic loss
- variability of results

## ■ Support services

- Risk management / Loss control
- claims handling / reserving
- Actuarial services
- Accounts and book keeping

# Mutual self insurance - Advantages

- Offers opportunity to reduced cost of risk
- Improved cash flow
- Greater emphasis on risk management / loss control
- Improved claims control
- Improved access to excess insurance

# Mutual Self Insurance - Disadvantages

- Requires higher level of administrative commitment
- greater reliance on effective risk management / loss control
- potentially limited market for excess coverage
- Reciprocals unable to insure other party interests such as additional insureds
- Security may not be acceptable – certificates of insurance
- Subscriber “unlimited liability”

# Captives

- Captives share many advantages with a reciprocal
- Captives Advantages
  - Licensed Insurance company may insure “other parties”
  - Greater degree of regulation and security
  - Limitation on member’s potential liability
- Captives disadvantages
  - Significantly greater cost to establish, capitalize
  - Greater cost to maintain – administration/captive managers
  - Greater regulatory burden

# The Reciprocal Option

- The communities of Nunavut acting through their association **NAM** elected to form a reciprocal **NAMIX** as this offered the optimum solution
- As identified a Mutual self insurance vehicle such as a reciprocal has some disadvantages over a traditional insurance vehicle the next slides discuss how the Nunavut Communities minimized the effect of these disadvantages

# Administrative Control

- The communities of Nunavut chose an existing organization the **Nunavut Association of Municipalities** to oversee the operation of the **NCIP** and **NAMIX** thus benefiting from an existing administrative structure
- A key administrative control was the creation of an **Advisory Board** to manage day to day issues arising from the **NCIP**
- The selection of a group of professional advisers including a project manager ensures the Board receives appropriate advice and member communities are reassured by independent reports and audits

# Administrative Support

- The operation of the reciprocal **NAMIX** is supported by service suppliers who provide independent verification of various administrative functions;
  - **NAMIX** day to day functions = Principle Attorney
  - Reserving
  - Claims management
  - Financial management – independent auditing
  - Future funding requirements – Actuary
  - Solvency

# Risk Management / Loss Control

- Self insurance demands a greater reliance on loss control, Mutual self insurance requires each community manage their risk effectively to reduce the burden of loss on all communities
- The **NCIP** provides risk management and loss control training to all communities
- The **NCIP** supports Nunavut Communities with practical tools such as a Risk Management Manual to improve loss control within communities
- The close working relationship between the **NAMIX** claims administrator and the Advisory Board ensures communities are informed of losses and recommended preventative actions

# Agenda Part 4

## Nunavut Association of Municipalities Insurance Exchange

Doug Crossley Principle Attorney

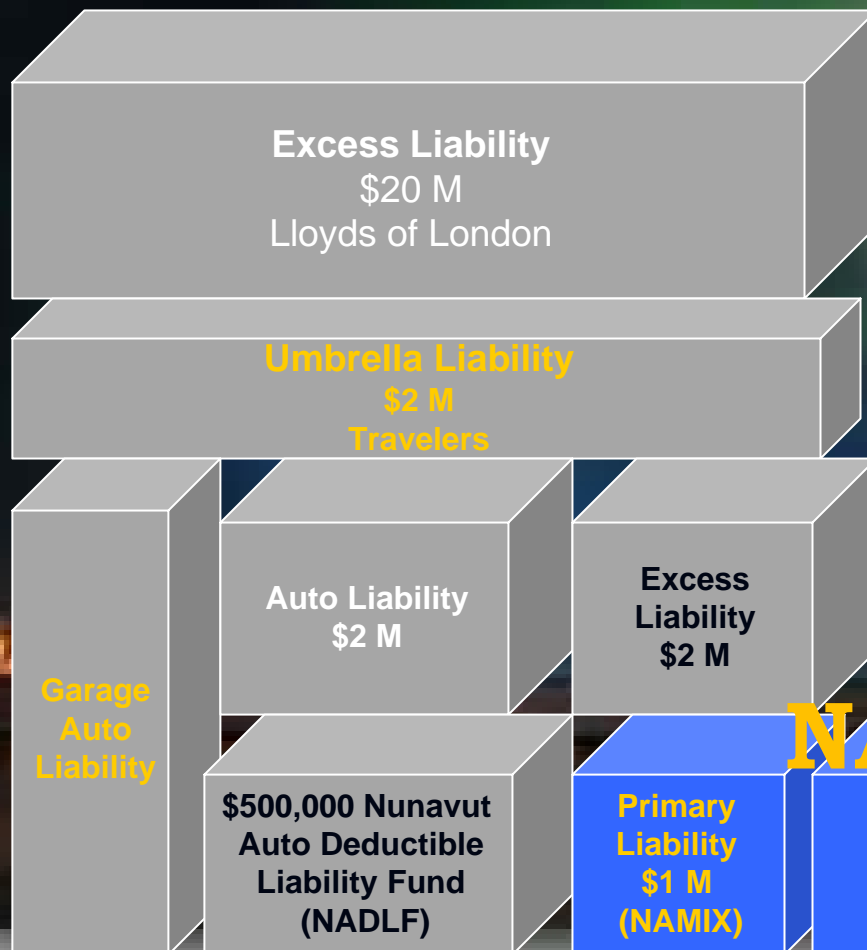
- NAMIX Structure
- Administration
- Training
- Success!

# NAMIX Structure

- All communities that participate in the Nunavut Communities Insurance Program are active subscribers in NAMIX (Nunavut Association of Municipalities Insurance Exchange).
- NAMIX was established in 2003 by the Nunavut Association of Municipalities in response to extremely difficult conditions in the insurance marketplace.
- NAMIX is a formal self-insurance vehicle that is licensed and regulated by the Government of Nunavut through the Superintendent of Insurance.
- NAMIX provides the primary layer of insurance coverage for Property, Liability and Auto Physical Damage claims.

# NAMIX – April 01, 2007 to March 31, 2008

**\$25 M Total**



**\$20 M Total**

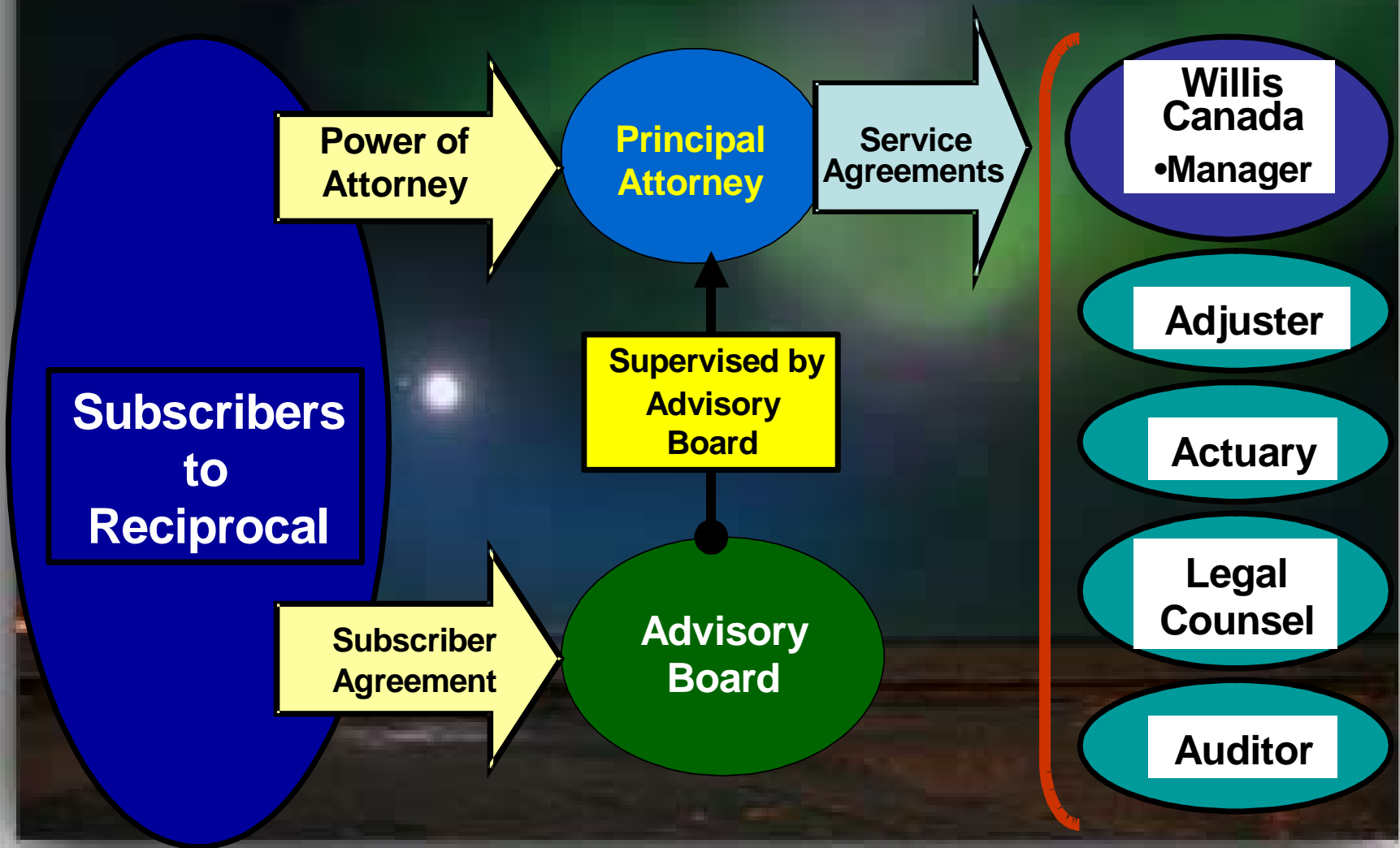


**NAMIX**

# NAMIX Structure (Contd)

- Through the Subscriber Agreement, all **NAMIX** subscribers share risk with each other and empower an Advisory Board to work on their behalf.
- **NAMIX** is a 'partnership' between communities, the **Nunavut Association of Municipalities** (to which all subscribers must belong) and the **Government of Nunavut** which is a funding partner
- Funding for **NAMIX** is provided through a combination of annual premiums paid by subscribers and funding provided by the **GN**.
- The Subscriber Agreement is the contract which establishes the reciprocal exchange and it defines governance and reporting requirements

# NAMIX – Governance & Management Structure



# NAMIX Administration

- **NAMIX** is governed by an Advisory Board that is made up of representatives from subscribing communities, the GN and NAM.
- The **NAMIX** Principal Attorney is responsible for overall administration and executes all contracts on behalf of **NAMIX**,
- the P.A. is selected by the Advisory Board and is under a service contract with **NAM**.
- The Advisory Board directs the Principal Attorney
- Willis Canada provides **NAMIX** with accounting and book keeping services
- **NAMIX's** accounts are audited annually by independent auditors
- **NAMIX** relies on the services of an independent Actuary to calculate expected losses and appropriate trending factors.

# Current NAMIX Board – Jan. 2008

- Elisapee Sheutiapik – Chairperson, NAM Rep.
- John Hussey – City of Iqaluit Rep.
- Brian Fleming – Igloolik – Qikiqtaaluk Rep.
- Paul Waye – Rankin Inlet – Kivalliq Rep.
- Steven King – Cambridge Bay – Kitikmeot Rep.
- Shawn Maley – Government of Nunavut Rep.
- Lynda Gunn – NAM CEO – Ex-Officio Rep.
- Peter Boucher – NCIP Project Leader - Observer

# Board Roles & Responsibilities

- Setting annual Premiums/Assessments for Subscribers
- Provide direction to the Principal Attorney
- Establish Guidelines & Policies – Underwriting, Claims Management, Risk management promotion
- Approving of any new Subscriber
- Designation of Chairperson as applicable
- Recommendations to NAM for broader **NCIP** Issues

# Role of the Principal Attorney

**NAMIX** is not a legal entity and lacks legal capacity to enter into contracts & thus must act through its' Principal Attorney who:

- Executes all contracts on behalf of **NAMIX**
- Administers **NAMIX** at the direction of the Advisory Board
- Manages the related activity of Contract Service Partners
- Prepares & Files all necessary documents as required by the Insurance Act to the Sup't of Insurance
- Addresses other Business Plan issues and follow through issues required by Board

# Administration of Claims

Claims management on behalf of Subscribers is a critical **NAMIX**; function

- **NAMIX** contracts Willis Canada to manage claims and set case reserves as appropriate.
- **NAMIX** contracts an independent adjuster Arctic West Adjusters to investigate and report on claims. Arctic West works under Willis' direction.
- **Willis** recommends settlement of claims to the Advisory Board but the final decision rests with the Board, this is considered an important administrative step as the Board is in a position to assess Nunavut cultural issues and factors particular to a northern arctic environment

# Training

- One of the founding principles of the **NCIP** is the transfer of Risk Management skills to Nunavut Communities
- The subscriber agreement establishes the principle that the P.A. will support risk management initiatives
- In conjunction with NAM and supported financially by the G.N. a series of training seminars has been provided in various communities in Nunavut
- Community based Risk Management supported by a Council Policy and facilitated by the administrative staff in each community is the cornerstone of Risk Management implementation in Nunavut
- To date 245 community participants have benefited from training seminars

# Training Modules

1. **Essentials of Community Risk Control – October 2003**
2. **Public Works Operations – January 2005**
3. **Facility Risk Control – October 2005**
4. **Auto Liability Fleet Safety – October 2006**
5. **Vicarious Liability – Community Vehicle Use Policy and Bailment/Occupiers Liability use of Community Garage and Maintenance Facilities – January 2007**

# Risk Management Manual

- **NAM commissioned a comprehensive Risk Management Manual from Willis Canada which was delivered to all member communities in 2006**
- **This manual is intended as a reference guide for Senior Administrative Officers in each community**

# NCIP Web Site

- Willis Canada operates a web site on behalf of NAM which provides information about the insurance program to Senior Administrators in each community
- [www.nunavutcommunities.ca](http://www.nunavutcommunities.ca)
- Currently undergoing domain change and construction

# NCIP/NAMIX Success!

Communities consider the **N**unavut **C**ommunity **I**nsurance **P**rogram has been an outstanding success under **NAM** stewardship.

The most important element of the **NCIP** is undoubtedly the creation of **NAMIX**

**NAMIX** has met all claims demands since its inception (**\$2,520,873**) and the audited accounts for 2006/7 record a surplus of **\$4,429,127**. A substantial interest is earned on these funds that further reduces the **NAMIX** subscriber's cost of risk.

# NCIP/NAMIX Success!

Group bargaining with the commercial insurance market has been a success. Nunavut Communities are not viewed as preferred risks and yet the cost of the excess program has been reduced significantly since the inception of the **NCIP**.

Furthermore, availability and extent of coverage was also an issue at the inception of the program. The **NCIP** now enjoys broader coverage as well as reduced cost.

# NCIP/NAMIX Success!

**NAMIX** has experienced a significantly lower loss ratio than the loss ratio of the wider NWT program which communities who now form Nunavut shared prior to 2003.

While simple luck cannot be ruled out two factors are considered significant in achieving this improved result.

- Communities are aware NAMIX is owned by them and they are keenly interested in reducing losses and future Premium
- Many managers and supervisors have benefited from risk management training and risk management tools

# NCIP/NAMIX Success!

**NAM** through the **NCIP** has provided extensive training and risk management material to a broad group of community employees.

Although the principle beneficiary of risk management training has been the administration of the communities some of the ideas have diffused into the community in part as trained employees seek work outside of Municipal employment

Thus the **NCIP** training contributes to the growth of the entire community.

A night landscape photograph featuring a full moon in a dark blue sky. The lower portion of the image shows a dark, flat horizon, possibly a beach or a field, with some faint lights visible on the left side. The overall scene is serene and atmospheric.

**Thank You!**

**Merci!**