

*The*  
CO-OPERATIVE  
HOUSING  
FEDERATION  
*of Canada*



# COMMERCIAL INSURANCE UPDATE

December 2009

## New plan encourages good risk management and fewer claims

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### **Challenging renewal results in more incentives, better focus on risk management to continue our path to recovery.**

Over the past few years, and including last year, larger and more frequent claims continue to be challenging for CHF Canada's commercial insurance program. The road to recovery is a rocky one. This year, we sat down with The Co-operators to discuss the best ways to keep your commercial insurance program alive and healthy. In light of our most recent experience, we have had to make some tough decisions – we want to cover some higher losses in the past while providing incentives and a renewed focus on risk management to help members bring down premiums in the future.

The 2010 renewal has resulted in an average increase of 15% on total premium. This is due to an increase in the frequency of claims, including many fire claims over the last year, as well as the rising cost of covering the claims. Property rates will go up an average of 15% and liability rates will increase an average of 9%. The property inflation factor has been applied, which is necessary to guard against rising construction costs. Ontario will see 3% applied to the property portion of their premium while there will be a 5% adjustment for Western co-ops and 2% in the East, to ensure the full replacement value of their property.

**Program losses were high again in 2009, and we need to work together to keep them down. Here's how we're doing on our two-point approach we began last year:**

**ONE Risk management.** CHF Canada and The Co-operators are renewing their commitment to helping co-ops understand and practice better **risk management**. It's the key to keeping our losses (and premiums) down. Together with The Co-operators, we produced a very practical risk management DVD as a companion to the risk management kit. This DVD was distributed earlier this year to every member participating in our commercial insurance program. We hope co-ops will show it at a board or members meeting and lend it out to members. The DVD will help you understand why risk management is important, why you need a risk management plan, and how that will help keep your members safe and your insurance costs down. In addition to that, we're offering risk management workshops at education events, given by both CHF Canada and by federations. If you haven't attended one of these yet, you should definitely plan to do so. Risk management is important to every co-op in our program.

**TWO Protect co-ops that have fewer claims and encourage members with high loss ratios to reduce their claims and manage their risks.** Our highest priority this year was to provide incentives for co-ops to keep claims down – that's the only way our insurance program will be strong and healthy. We all know that some claims are unavoidable. But we're seeing a big increase in the frequency of claims, which means that many co-ops aren't practicing good risk management or they're making many small claims that could be covered by the co-op itself. Members with fewer claims should not be penalized by those with high loss ratios. In fact, they should be encouraged to keep their low loss ratios. The 2010 insurance renewal Program Protection Plan will help – we started it last year, and have made a huge improvement this year. We're doing what we can to make this a high-quality member-driven program while keeping our communities healthy and safe. CHF Canada and The Co-operators are committed to working with members to make this happen.

## **COMPLETE PROGRAM PROTECTION PLAN FOR 2010 RENEWAL**

Last year, we rolled out our **Program Protection Plan** for co-ops that work hard to manage their risks and keep claims down. We agreed that they should not be penalized because of frequent or large claims on the part of a few. Some co-ops have very high claims records, and in the past their claims costs have been shared by all members in the program. The aim of the Program Protection Plan was to introduce a surcharge on the property premium for those co-ops with very high losses from multiple claims over the last five years. (Because insurance is to cover accidental losses, the first claim a co-op makes doesn't count and was removed before the surcharges were calculated).

Those surcharges are being implemented again for the 2010 renewal, and will affect a small number of co-ops with frequent and expensive claims. If your co-op does see a surcharge, some of it can be offset by increasing your deductible (if no underwriting action has already been taken – see article below). You can also avoid future surcharges by managing your risks and educating your members about how to prevent accidents in the co-op. Your Risk Management Kit and the new Risk Management DVD can help you do this. If you have a surcharge, you need to take risk management very seriously and do everything you can to keep claims and losses down.

### **But we wanted to do more.**

#### **NEW THIS YEAR – CREDITS OFFERED TO CO-OPS WITH LOW LOSS RATIOS**

We have now expanded the plan to reward those co-ops that have been successful in keeping their loss ratios down. These are the co-ops that understand the value of good risk management, and have hopefully educated their membership as well. These co-ops will get a **credit (discount) on their property premium of up to 2%**. Since the property portion of the overall premium is the largest portion (the other portion is liability), this will certainly help reduce the impact of the program's overall rate increase.

The credits represent a strong commitment by CHF Canada and The Co-operators to ensure the health and ongoing stability of our commercial insurance program. We want to assure co-ops that are working hard to keep their claims low and are encouraging their members to avoid risks that our program won't penalize them for the experience of co-ops with higher claims records. In fact, we'll make sure they're rewarded for their hard work. Because we feel that hard work should pay off!

### **Deductible Decisions**

For a small number of co-ops in the program, with frequent large losses, some underwriting action is necessary. Those co-ops will see their deductible raised to \$5,000, to help keep the program healthy by requiring them to cover some of the smaller and more frequent claims themselves. This will help lower their loss ratio but most important – encourage these co-ops to work within their co-op to bring down their losses in the future.





# The Key to a Safe Community and Lower Insurance Premiums – *Risk Management.*

Risk management is the key to keeping our program costs and premiums down. We've said that a lot over the past few years and we still mean it as strongly as ever. Only by looking at past claims can you determine which are your greatest risks and which claims could have been prevented through risk management.

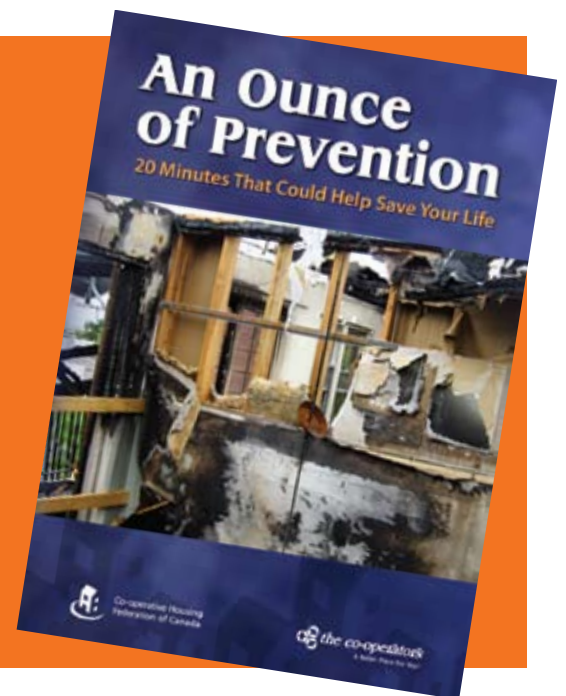
The Risk Management Team, which partners CHF Canada, The Co-operators commercial and The Co-operators MemberGuard/AutoGuard, is still at work assessing the current claims experience of the insurance program and developing ways to help you keep your communities safe and secure. **An Ounce of Prevention**, the DVD we developed last year, should be in every housing co-op by now and should be shown at every opportunity. It's full of practical tips on how members can prevent accidents that can lead to claims, injury, or even death. It is a must-see for every single member so make sure your members have easy access to it. And keep your eyes open for risk management workshops in your area – we're bringing the message to as many education events as we can.



By now, all members should have some form of risk management program for their co-op. But it's obvious many co-ops don't, or aren't making them as effective as they can be. And we think that's why we're still seeing so many claims in the program. Members cause most of these claims, and most of them are preventable.

## THERE ARE **TWO STEPS** TO PREVENTING FUTURE CLAIMS:

- 1. Set up a risk management program.** Ask your staff/manager to use the Risk Management Kit that was sent to every co-op in the commercial program as a guide to setting up a program for your co-op. The board and membership have to get involved as well in identifying areas that are potential risks, and coming up with ways to either prevent them or fix them before they become a problem.
- 2. Educate yourself and your members.** Find out what type of claims your co-op is making. Fix the problem before it gets any worse. And show the risk management DVD at a members meeting so members can identify risks in their own unit and prevent them.



It should be clear by now that practicing good risk management pays off. By identifying and preventing those things that could become an insurance claim, you're not only keeping your members safe but from now on, you'll see the difference in your insurance premium. Now that's worth it.

**The Risk Management DVD, called *An Ounce of Prevention*, was sent to all commercial insurance program members. Can't find yours? Contact Louise Briglio at CHF Canada, 1-800-465-2752, ext. 224 or email [lbriglio@chfcanada.coop](mailto:lbriglio@chfcanada.coop).**

## MAKING SURE YOU'RE COVERED

The industry standard for **Commercial General Liability (CGL)** is still \$2 million. For the past few years, we've recommended that all co-ops increase their liability coverage to meet this standard. This year, we think it's so important that we have raised the minimum CGL limit to \$2 million for all of the co-ops in our program. This will bring our members in line with the industry norms, and make sure our co-ops are fully protected in the event of a liability lawsuit.

## ATLANTIC CANADA STILL BENEFITS FROM CREDIT

Atlantic Canada members will continue to benefit from low claims experience. Co-ops with fewer than five claims in the last five years and seven months adding up to less than 60% of the total premium for that period can once again expect a **10% credit** for 2010.

## PLAN TO WIN

Renew your coverage by January 15<sup>th</sup> and your co-op could win a \$100 gift card from Home Depot to help with those risk management plans! Co-ops on the monthly payment plan are automatically entered into the draw. Be sure to check out the first issue of *NewsBriefs* in the New Year where we'll announce the winners.

## Raise your deductible, lower your premium

Although members will see an average 15% increase in property premium for 2010, they can offset that increase by raising their property deductible. Co-ops can take advantage of this credit incentive by increasing their deductible even more. As shown in the chart below, members can count on savings for choosing a higher deductible (note: this credit does not apply if your co-op's deductible is being raised due to underwriting action).

INCREASE	ONTARIO	ATLANTIC CANADA	WESTERN CANADA
\$1,000 to \$2,500	5%	10%	10%
\$2,500 to \$5,000	10%	15%	15%

We can offer this credit to members because higher deductibles mean fewer small claims and this keeps program costs down, which is critical to the health of our program. In turn, these savings are extended to members to help bring their premiums down.

It's easy to increase your deductible. All it takes is a quick phone call to find out how much you can save. Call your local Co-operators commercial representative listed at the top of your renewal papers for details. But don't forget – while increasing your deductible may provide an immediate credit to lower your property premium, risk management is still the very best way to reduce claims and keep premiums down.

## A better place for you

CHF Canada's commercial insurance program continues to offer a better program for members. It's the only member-controlled insurance program designed for co-operatives by co-operatives. It continues to offer exceptional coverage at affordable rates. And members benefit from free loss prevention services and resources tailored for housing co-ops.

Our insurance program rates are driven by losses, not by the market. We work with The Co-operators to make sure our program's performance is determined by the group itself and not by market influences. Every year at renewal time we sit down with The Co-operators, evaluate our performance, and decide how to rate the program. And as a member of a member owner of The Co-operators, you have a valuable voice in your insurance program.

### WE'VE GOT YOU COVERED

We offer many other great programs under our umbrella of member services.

Call us today to find out more, or visit our website at [www.chfcanada.coop](http://www.chfcanada.coop).

For information on The Co-operators, visit [www.cooperators.ca](http://www.cooperators.ca).

CHF Canada is your organization and this is your insurance program. Need help? We're here for you. Information and service is just a phone call or a click away.

#### COMMERCIAL INSURANCE

See your renewal papers for your local Co-operators representative or contact Becky Broughton at 1.800.265.2612.

#### MEMBERGUARD CONTENTS INSURANCE/AUTOGUARD VEHICLE COVERAGE

1.800.387.1963

#### GROUP BENEFITS PROGRAM

Life insurance, health and dental benefits Kathy Paganos, Morneau Sobeco 1.888.667.6328

#### HOUSING CHARGE LIFE INSURANCE (AND EVERYTHING ELSE)

Louise Briglio, CHF Canada 1.800.465.2752, ext. 224 [lbriglio@chfcanada.coop](mailto:lbriglio@chfcanada.coop)

**THE COMMERCIAL INSURANCE PROGRAM – BETTER VALUE, BETTER SERVICE FOR MEMBERS.**

