

HSC Group Insurance Renewal FAQs

Why will my insurance costs be increasing?

There are both global and program-specific factors in the current term that are contributing to higher costs for our group.

Global Factors Influencing Insurance Rates:

- The frequency and severity of natural catastrophes have increased due to climate change, which means that insurer payouts have also increased across the entire industry.
- COVID-19 and inflation have pushed construction and replacement costs up, making individual claims more expensive.
- An industry-wide “hard market” is decreasing the pool of insurers underwriting multi-residential buildings due to their risk profile, resulting in less supply and greater demand for coverage.

Program-Specific Factors Influencing Insurance Rates:

- To date, the 2022-23 has been a difficult term due to the high volume and cost of claims. Midway through the term, we have already depleted more than 89% of the program’s Claims Trust Fund (CTF).
- By inching the program’s five-year loss ratio closer to 60%, our program becomes a higher risk to underwriters.
- Even in cases where providers have implemented mandatory tenant insurance, we have had claims where it has not been in place. As a result, there have been fewer opportunities to recover funds through subrogation.

Why are there so many claims this year?

The program has seen a marked increase in fire claims related to tenant negligence (arson, careless smoking, candles, cooking-related). Fire claims are almost always more costly to repair than other types of claims.

Why are you raising the insured value of my building(s)?

With the rising cost of construction and labour, it is critically important that the total value of the property stated in the renewal documents reflects the current replacement value of the property.

HSC is taking steps to ensure that declared valuations are appropriate, which includes applying this inflationary factor, guided by reports from Marshal & Swift. Please be aware that you are responsible for insuring your buildings to their proper replacement value. Please reach out to HSC, if you require assistance with building appraisals.

Why are you increasing minimum deductibles?

It is very costly to have insurers pay for both large, catastrophic claims and the many small claims we have. Implementing a higher deductible will slow down the depletion of the CTF because it reduces the insurers' risk of having to pay for many smaller claims, since these small claims will not breach the new deductible.

Because the claims risk is higher for providers with large portfolios, those with insured values of over \$100M (Stream B) have higher minimum deductibles than those with smaller ones (Stream A).

Why are you increasing my Claims Trust Fund contribution?

Increasing size of the CTF helps keep insurance costs lower by reducing underwriter exposure to smaller, more common claims. It is less expensive for us to cover the costs of smaller claims than having insurers pay for these claims. The total value of the CTF has been determined by working closely with Marsh's actuarial team.

Another benefit of the CTF is that unlike insurance premiums, any surplus funds from the CTF stay in the program and are used to benefit the group in one or more of the following ways:

- Credits made available to all members during the applicable policy term who have continued to be members to the present date, uninterrupted.
- Credits made available to all members during the applicable policy term who have continued to be members to the present date, uninterrupted, and who did not make a claim during the applicable policy year.
- Retention to increase the size of the CTF or D&O Claims Trust Fund (as applicable) to offset premium increases in subsequent years.

- Retention to offset the impacts of extreme and out-of-the-ordinary claims in subsequent years.
- Such other uses as is determined to be in the best interests of the group, in consultation with the sector-led Insurance Reference Group

HSC introduced risk ratings last year. Are these having an impact on my premiums?

Currently, the purpose of the risk rating is to help providers understand how their risk is perceived by the insurance market and a small credit or surcharge is applied based on the rating.

The financial component of the risk rating will continue to be implemented gradually over the next several years. For example, a provider with a risk rating of 1 may see credits, while a provider with a risk rating of 6 may see surcharges at renewal. This will offer providers an opportunity to improve their risk profile where warranted.

What is HSC doing to control insurance costs?

HSC Group Insurance Program has two objectives: to ensure that all community housing providers can obtain coverage, regardless of their claims history, and to keep the insurance costs as low as possible for providers.

We seek to balance these goals by:

- Negotiating with underwriters directly and finding the most viable ways to obtain the greatest amount of coverage at the lowest possible cost.
- Minimizing claims costs by managing them in-house.
- Ensuring the cost of risk is shared fairly and efficiently with minimum deductibles that are reflective of the claims risk of Stream A and Stream B providers.
- Working hands-on with providers with difficult claims histories on practical risk management.
- Developing practical risk management resources to assist providers in avoiding claims (e.g., guides, newsletters, webinars, dashboards, training).

What can I do to control the costs of my insurance?

The best way of controlling your insurance costs is to not have any claims. Here are ways you can eliminate or reduce costs:

- Have mandatory tenant insurance and smoke-free buildings -- you also get premium discounts for implementing these policy changes.
- Have safety elements on all stoves to mitigate the risk of cooking fires – a claims credit is also available for this.
- Train staff so they consistently apply rigorous maintenance and inspection procedures.
- Communicate with tenants on what they can do to ensure a safe and secure environment and what to do in the event of an emergency.
- Attend our webinars, read our guides and subscribe to our newsletter, *Managing Risky Business*, for tips and best practices.

I have more questions. How do I contact you?

Start by emailing us at insurance@hscorp.ca. If we can't answer your question by email, we can have a chat by phone!