



THE BUSINESS OF HOUSING

Below are answers to common questions about the SHSC Group Insurance Program. Should you require further details and/or have questions, please contact the SHSC Group Insurance Program directly at SHSCInsuranceProgram@shscorp.ca or 1.866.440.2492 (extension 215, 219 or 244).

Questions about the 2011/2012 Program and Renewals

1: I heard that insurance rates would be going up by 61% this year. Is this true?

- **No.** SHSC anticipates that providers with good claims histories (more than 80% of the program's participants) will see minimal increases. Increases will be in line with the broader insurance marketplace. Providers with poor property claims histories (less than 50 of 700 across the province) will see higher increases
- Initially, SHSC was very concerned about the impact of a series of global and local disasters that took place in 2010 and early 2011 -- natural disasters in Japan, the United States, New Zealand and Chile; a high-rise fire in a Toronto Community Housing Corporation (TCHC) building that resulted in a large claim; and rising program participant claims over the past several years. These items, combined with the number of committed providers in the program, were also a concern for the insurers with whom we were negotiating
- However, negotiations with insurers have proceeded better than we expected. In addition, SHSC has taken steps towards softening impacts from the conditions of the global insurance marketplace (see question #4). Furthermore, the program's premium allocation policy shields individual providers from feeling the financial impact of large or multiple claims of specific providers (see question #3)

2 When will each housing provider know what their insurance rate will be?

- **The beginning of October** is when housing providers receive their renewal packages
- SHSC's group insurance program renews annually on November 1
- SHSC anticipates that all housing providers will know their premium costs within 30 to 45 days prior to renewal

3: Will there be any impact on other providers as a result of the Toronto Wellesley street fire last year?

- **No.** In SHSC's program, property premiums are primarily reallocated among providers to ensure those with poor property loss records pay a larger share based on the number and value of their property claims
- No other provider will pay for the premium increase associated with TCHC fire. TCHC will absorb the full portion of the premium increase directly attributable to the fire in addition to its assessed premium
- The remainder of any program-wide premium increase is attributable to past losses by other social housing providers and broader marketplace increases
- The negotiations with the insurance company are ongoing but we are optimistic that we will be able to keep premiums well under the benchmark set for this year.

4: What has SHSC done to lessen the impact for housing providers, Service Managers and District Social Service Administration Boards?

- For this year, SHSC's Board has authorized a contribution from the corporate insurance reserves to lessen the impact of the increased claims across the sector and broader marketplace increases
- SHSC submitted recommendations to the Province on insurance and risk management related issues in Ontario's social housing. Specifically:
 - Barriers to working effectively with vulnerable tenants due to current provisions of the Residential Tenancies Act,
 - Exposure of the province to future liabilities for mortgages (without insurance, providers cannot keep or obtain mortgages)
- To help providers manage risk at the local level more effectively on an ongoing basis and keep claims down, SHSC is strengthening its existing training and information resources;
 - Developed and launched Liability and Property Loss Prevention Training;
 - In the process of developing additional risk management tools and resources and tenant risk awareness materials; and
 - Supporting providers by providing online tenant risk management tools
 - Created and marketed a tenant insurance program through SoHo Insurance Inc.; low-cost tenant insurance for social housing residents was a business need originally identified by providers and protects both tenants and providers

5: Can I use the same insurer that my municipality uses or a broker of my own choosing in 2011/2012?

- **You may be able to** – however, you will need to follow SHSC's formal process for seeking an alternate insurance provider.
 - Providers who were granted alternate broker arrangements in 2010/2011 via SHSC's formal process will be able to apply and follow the same process in 2011/2012
- There is a critical difference between SHSC and private insurance brokers: as a non-profit corporation guided by service manager and provider representatives, SHSC administers its program with the goals of protecting the interests of the sector overall. **SHSC is not an insurer or a broker** – its focus is to negotiate and deliver guaranteed, comprehensive coverage to providers across the province at the best rates. Without the group program, some providers would not be able to secure coverage from insurers.
- Note on Local Housing Corporations: Insurance restrictions in the transfer orders relating to the Social Housing Reform Act apply regardless of whether a Local Housing Corporation transfers to another entity, such as a municipality, or not. The SHRA takes precedence over the Municipal Act, 2001 as it relates to social housing.

6: How do I apply to use an alternate broker?

1. Providers with alternate brokers in 2010/11 can obtain a quote from an alternate broker. Coverages from alternate brokers must equal or exceed those provided under the SHSC Program. The alternate broker must guarantee that they will never refuse renewal to a provider, except in instances of non-payment of premiums
 - **Competitiveness:** The gross premium (including commissions/fees) should be a minimum of 10% less than that which is offered under the SHSC program
2. Obtain a quote from the SHSC Program.

7: What will be the process for applying for alternate brokers after 2011/12? How is this determined and when?

This has yet to be determined. Given that the Housing Services Act will come into force in January 2012, SHSC will work with sector stakeholders, including its Insurance Advisory Committee, in the next year towards re-defining the program management of insurance and possibly redesigning the program. The ultimate goal of this exercise will be to develop a sector-wide approach towards insurance that is consistent and sufficient in coverage, clear to all stakeholders, cost-effective and protects the needs of all providers covered by the legislation.

8: What is the Insurance Advisory Committee?

The Insurance Advisory Committee is a sector-based entity that provides advice and recommendations to the SHSC Board related to the following:

- The needs of housing providers and service managers, and associated policies and procedures with regard to the SHSC Group Insurance Program;
- The needs and interests of housing providers and service managers in relationship to potential opportunities for insurance, risk management and insurance brokerage programs and services;
- The service and delivery of SHSC insurance and risk management programs and services and SoHo brokerage services ;
- Effective communications, protocols and marketing techniques for SHSC insurance and risk management programs and services and SoHo brokerage services;
- The members' role as ambassadors for SHSC and SoHo in regard to insurance, risk management and brokerage programs and services.

9: Is my Service Manager aware of the status of the SHSC Group Insurance Program?

- **Yes.** SHSC has been in regular contact with Service Managers and local Chief Administrative Officers throughout the negotiations process

10: Once a housing provider is in the SHSC Group Insurance program, are they locked in forever?

The Housing Services Act states that SHSC “shall, (a) establish and manage insurance programs for members prescribed for the purposes of this clause.” However, much will depend on the results of the re-definition and possible re-design of the program that will take place in the next year. It is worth noting that although prescribed providers were in the past permitted to seek alternate broker arrangements, they still were required to follow the established SHSC process to do so – and as such, continued to participate in the program.

General Questions about the SHSC Group Program

1: Does SHSC make money from the Group insurance Program? If so, what does it do with it?

- SHSC is a non-profit corporation
- SHSC reinvests any revenues it generates from the program in supports that help in actively managing risk on the ground
- It helps subsidize the development and delivery costs of training for housing staff

- It helps pay for operating the SoHo tenant insurance program for social housing residents, which offers coverage to individuals and families who would typically be rejected by other insurers because of how much they make and where they live
- This year, it will help lessen the impact of increases due to overall rising claims and the current global insurance marketplace
- As a non-profit corporation guided by service manager and provider representatives, SHSC administers its program with the goals of protecting the interests of the sector overall. Its focus is not to sell more insurance, but to offer guaranteed, comprehensive coverage to providers across the province at the best rates and to ensure that housing providers are adequately protected.

2: What are the benefits of SHSC Group Insurance program?

- In 1993, the Province of Ontario established the group insurance program for non-profit housing providers and LHCs and reaffirmed that commitment when transferring the program to SHSC in 2002
- SHSC is itself a non-profit corporation advocating on behalf of municipalities and housing Providers
- As one of the largest group insurance programs in North America, SHSC's program can achieve greater economies of scale: it can negotiate comprehensive coverages, ensure coverage availability for landlords province-wide and competitive premiums overall
- The SHSC Group Insurance program is good value for taxpayers and has continuously beaten the provincial benchmark for pricing. Insurance commissions negotiated by SHSC are approximately 50% lower than those available to individual clients; total commissions are less than 8% as compared to 15-25% commission charged by a for-profit broker
- There are more than 140 housing providers spread over the entire province who would have had difficulty in maintaining insurance coverage due to their poor loss records without the SHSC Group Insurance Program. As SHSC guarantees coverage for all providers regardless of their claims experience, these providers can maintain insurance and therefore keep from defaulting on their mortgage obligations
- Few housing providers have the staff resources and expertise to conduct a competitive procurement process for insurance. Their local brokers do not have access to the broader insurance marketplace and are not able to negotiate for the types of coverages available in the SHSC group program
- Basic property premiums reduced overall by nearly 30% from 2003 to 2008
- Because we represent the interests of the housing sector, we have negotiated special coverage for property damage caused by drug-labs and grow-ops and mould – all serious threats to the financial stability of the housing sector if unmitigated
- Legal and investigation costs are included in the group program premium. This has saved housing providers an estimated 4.5 million from their operating budgets
- Risk management services and staff training are offered at a reduced rate for members as well as business continuity and emergency planning courses

3: How does social housing insurance work in Ontario?

- CMHC and all banks holding mortgages on social housing properties require that adequate property insurance is in place to protect their investments
 - The province created the insurance program in 1993 to ensure that non-profit landlords would have equal access to standard insurance coverage, limits and deductibles
 - When SHSC was mandated to coordinate insurance programs under the SHRA, the SHSC Board committed to offer:
 - core coverage tailored specifically for provider's needs
 - guaranteed coverage for landlords regardless of their claims history – unlike private insurance providers who drop landlords for large losses or poor claims records
 - premiums kept as low as possible for everyone by spreading costs across all prescribed housing providers
- Under the Social Housing Reform Act, 2000, and the Housing Services Act, 2011, provincial legislation which is set to come into force on January 1, 2012, specific social housing landlords are legally required to purchase insurance through the Social Housing Services Corporation (SHSC)

SHSC's group program operates on the same principles of insurance programs in both the private and public sector (group health, group life, employee programs for large organizations, for example). It distributes risk and claims costs to keep insurance affordable for all its members and to protect members when losses occur

4: How does the SHSC board represent the interests of Ontario's municipalities, regions and districts?

SHSC's Board of Directors includes eight representatives from municipalities:

- One person selected by the council of the City of Toronto
 - Giorgio Mammoliti, Toronto City Councillor
- One person selected by the councils of the regional municipalities of Durham, Halton, Peel and York
 - Larry O'Connor, representative of GTA
- One person selected by the council of the City of Toronto and the councils of the regional municipalities of Durham, Halton, Peel and York
 - Adelina Urbanski, Commissioner of Community and Health Services, Regional Municipality of York
- One person selected by the District Social Services Administration Board (DSSAB) service managers
 - Joyce Timpson, Councillor, Municipality of Sioux Lookout
- Four persons selected by the DSSAB service managers and the councils of the municipal service managers
 - Dick Verrips, representative of Bruce County
 - Diane Deans, Ottawa City Councillor
 - Michael Harding, representative of City of Woodstock
 - Merv Hughes, representative for Service Managers
- Unlike private sector insurance brokers, as a non-profit corporation with an advisory board of sector representatives, SHSC administers its program with the goals of protecting the interests of the sector overall.

5: How does the SHSC procurement process provide transparency and access to the greater market?

- As per Section 142 of the SHRA, competitive bidding for social housing insurance is SHSC's legislated responsibility. SHSC and its broker regularly conduct a province wide competitive market review which is more detailed and on a much larger scale than any single local authority.
- SHSC follows a stringent procurement process. Each component of the SHSC insurance program -- broker services, insurance coverage and adjusting services -- is tendered individually to avoid conflict of interest. The SHSC insurance program competitively bid in 2003 for broker services, insurance coverage and adjusting services. In 2008 an RFP was issued for broker services and in 2009 we issued another RFP for adjusting services. The documents were sent to all major Canadian brokers and third party adjusting firms and were posted on MERX. Proposals were scored by committee and contracts were awarded to the highest scoring respondent.
- SHSC's competitively selected program broker seeks out interested insurers globally and markets the Group Program to the broad insurance marketplace to obtain the optimum combination of coverage, flexibility and premium pricing. This is in contrast to the strategy of managing general agents that place coverage with a pre-determined group of insurers and do not approach other potentially interested insurance companies to inject competition into their process
- Few housing providers have the staff resources and expertise to conduct a competitive procurement process for insurance. Nor do their local brokers have the access to the broader insurance marketplace. Participation in the SHSC group insurance programs guarantees housing providers that their insurance intermediaries, insurers and supporting service providers were selected using stringent public procurement processes with no direct administrative costs to them
- The insurance program broker marketed the SHSC program in 2009 to the insurance market place. Four insurance companies provided premium indications for the SHSC program for the 2009/10 policy year. The program broker has again gone to the marketplace for the 2011/12 policy year. They have negotiated with 16 insurers and are down to 3 insurers. We will have the results of this exercise in August

