



ANNUAL REPORT

Risk Management and Insurance
2022-2023



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Minister's Message

The Honourable Antoinette Perry
Lieutenant Governor of Prince Edward Island
PO Box 2000
Charlottetown, PEI

May it Please Your Honour:

Pursuant to the *Financial Administration Act* is my privilege to submit the Annual Report of the Risk Management and Insurance Section and the financial statement of the PEI Self-Insurance and Risk Management Fund for the period ending March 31, 2023.

Respectfully submitted,

A handwritten signature in black ink that reads "Jill Burridge". The signature is fluid and cursive, with the first name "Jill" and last name "Burridge" clearly legible.

Hon. Jill Burridge
Department of Finance



RISK MANAGEMENT & INSURANCE – 2022-2023

Message from the Secretary to Treasury Board

Hon. Jill Burridge
Minister of Finance

Dear Minister Burridge:

It is my privilege to submit the annual report of the Risk Management and Insurance Section of Finance (RM&I). Included in this report are the audited financial statements of the PEI Self-Insurance and Risk Management Fund for the year ending March 31, 2023.

Respectfully submitted,



Cindy Harris
Secretary to Treasury Board
Department of Finance



Mandate

Operating as a section within the Department of Finance, our mandate is to develop, implement and maintain the Government of Prince Edward Island's risk management and self-insurance programs.

We work collaboratively with departments, crown corporations, agencies, and commissions across the provincial government towards a goal of eliminating or minimizing the potential for loss for the Government of Prince Edward Island. One of our key objectives is to provide a quality service that protects public sector assets and programs while also mitigating risks when they occur. By providing a professional claims management service to our insureds, we are able to meet these objectives and continue to strive towards protection and controlled loss for the Government of Prince Edward Island.

General Principles

“The responsibility for all insurance and risk management provided by Government rests with the Risk Management & Insurance Section of the Treasury Board Secretariat (RM&I). In order to reduce the cost of risk (defined as “the sum of insurance premiums, self-insured losses and loss control cost”), a risk management and insurance process has been developed, which includes:

- (a) the application of sound loss prevention and safety procedures; and
- (b) the provision of funds to pay an insurable loss covered by the policies, when it occurs.”¹

¹ Section 11.02 – Policy Statement, Treasury Board Policies and Procedures Manual, 2017.

Section Overview

In 1986, the PEI Self-Insurance and Risk Management (Fund) was established by the Government of Prince Edward Island under the *Financial Administration Act*. The volatile insurance market during that time caused premiums to escalate, and there was a reluctance to insure Government sector entities. To counter the effects of escalating premiums and diminishing coverage limits, it was the decision of Government to establish its own self-insurance program. The program administered by Risk Management and Insurance (RMI) insured the liability exposures for Government, the health sector, school boards and Crown Corporations. Since inception, the Fund has built up a surplus of approximately \$24.5 million after paying claim and administration costs. In addition, RMI has established risk and claims management services designed specifically for Government and all associated PEI public sector organizations.

The growth of the Fund, over the last 37 years, has required our section to expand its risk capacity and the professional services needed for our clients to manage new risks, more effectively. We now have a diversified book of business and only special risks are insured in the private sector market. The Financial Administration Act serves as our guide to limit eligibility to reporting entities and those who use the Treasury Board Policy and Procedure Manual as their management guide. Specific limits of coverage available under the Fund, and the corresponding excess insurance policies, can be found in Note 11 of the Fund's 2022-2023 Financial Statements (pages 12-25).

Global conflicts and volatile climate change make managing risk more challenging; however, it remains extremely important. Risk Management and Insurance continues to expand programs and services to our clients in Government and other public sector entities funded by Government. We have been able to negotiate favorable premiums with a balance between very low risk property and liability exposures, with those, which by nature of the business conducted, are more likely to have claims made against them. Unfortunately, in recent years the insurance market has been experiencing what is referred to as hard market conditions. Hard market conditions are distinguished by upward trending premiums and tightening of underwriting requirements. These issues are further compounded by an increased frequency in climate related incidents, felt locally in the form of Hurricanes Dorian and Fiona. Our excess insurance coverages have been impacted by these effects and we do expect hard market conditions to continue for the foreseeable future.

RISK MANAGEMENT & INSURANCE – 2022-2023

We provide the following services to our clients (Government Departments, Crown Corporations, Agencies, Commissions, Health PEI, and School Boards):

- Coordinate consultant studies on major projects and critical risk-management issues of the day;
- Respond to frequent inquiries and provide direction to management as it relates to loss control, legal liability issues and current claim files;
- Perform risk assessments for specific clients and develop in partnership with them an effective risk-management strategy;
- Negotiate settlements of claim files with the public, or alternatively provide understandable explanations why particular claims will not be paid;
- Provide direction to both internal and external legal counsel, who are representing government on legal matters;
- Coordinate seminars and make presentations to clients of Risk Management and Insurance. The seminars are designed to target risk exposures/concerns of the client, using practical risk management practices and insurance principles;
- Provide consultation services to Procurement Services regarding tenders or RFPs, with recommendations on insurance requirements for vendors and specific language which transfers risk from Government to the service provider; and
- Work with our clients in negotiating contracts with a broad spectrum of service providers with an objective to confirm vendors are adequately insured, and the contract language is fair in terms of legal responsibilities.

Summary

Although the demands for services with immediate timelines is an inevitable trend in our business, we have become more efficient in how we manage the needs of our clients. In our experience, clients who have internal resources with risk management and insurance knowledge can respond and provide direction with minimum consultation. For this reason, we are providing more training and direction to selected individuals and our section can provide support in the development of policies and procedures for clients.

Brokers and insurers must be willing to insure a broad spectrum of risks in our liability, property, fiduciary and auto portfolios. It is not uncommon for us to solicit quotations for specific risks we do not wish to expose our Fund to, for a variety of loss control or insurance reasons. We now solicit quotations from brokers electronically, so brokers are sent the same information, at the same time.

In recent years, we have been actively involved in the contract process to minimize risks associated with doing business with private sector vendors. The demands for our expertise in this area have expanded as clients realize their potential risk exposures as they enter into these contracts including IT support, student training, construction projects and many other types of service contracts.

The “Excess Insurers” of Government and Health PEI have reviewed our claims and risk management procedures and found these to meet or exceed their standards. Our department’s accounting professionals continue to extract and create reports which provide further insight on the financial performance and assist in preparing our section for the annual audit by the Office of the Auditor General.

Sommaire

Bien que la demande de services sans délai est une tendance inévitable dans notre domaine, nous avons amélioré notre efficacité de la gestion des besoins des clients. Selon notre expérience, les clients qui ont des ressources internes en matière de gestion de risque et une connaissance des assurances peuvent répondre aux clients et les orienter avec une consultation minimale. Pour cette raison, nous offrons une formation et une orientation supplémentaire à certaines personnes choisies et notre section peut fournir un soutien dans l'élaboration de politiques et de procédures pour nos clients.

Les courtiers d'assurance et les assureurs doivent être disposés à assurer un vaste échantillon de risques dans nos portefeuilles de responsabilité, propriété, fiducies et automobiles. Il arrive fréquemment que nous sollicitons des propositions de prix pour des risques particuliers auxquels nous ne voulons pas exposer le fonds pour des raisons différentes de perte de maîtrise et d'assurances. Nous sollicitons maintenant des propositions de prix par voie électronique pour que tous les courtiers d'assurance reçoivent la même information au même moment.

Dans les dernières années, nous avons participé activement au processus d'attribution de contrats afin de minimiser les risques associés aux affaires auprès des fournisseurs du secteur public. Les demandes pour notre expertise dans ce domaine ont augmenté quand les clients réalisent les risques de responsabilité potentiels lorsqu'ils concluent ces contrats, notamment le soutien TI, la formation des étudiants, les projets de construction et de nombreux autres types de contrats de service.

Certains assureurs du gouvernement et de Santé Î.-P.-É. ont révisé nos procédures de gestion des risques et de réclamation. Celles-ci semblent respecter leurs normes ou même aller au-delà de leurs normes. Les comptables professionnels du ministère continuent d'extraire des données et de créer des rapports qui peuvent servir à l'analyse du rendement financier, de même qu'à la préparation pour la vérification annuelle effectuée par le Bureau du vérificateur général.

Highlights & Accomplishments

- During the 2022-2023 fiscal year, RM&I experienced an exponential increase in property claims. Hurricane Fiona left destruction across PEI and resulted in RMI receiving reports of damage to 122 Government-owned locations. Nearly all claims exceeded Government's self-insurance levels and are now being funded by the excess insurers. RM&I staff continue to play an active role in these claims as facilitators and advisors for our clients. Claims resulting from Fiona have created significantly increased demands on our team as we are working closely with our insured clients, excess insurers and adjusters, as well as many contractors.
- Staff have finalized a Risk Management & Insurance File Policy and have worked with RIM staff to identify and process files according to the updated CPRS Schedule.
- We have worked with our clients to source insurance policies separate from the self-insurance coverages to meet their unique needs including construction project insurance, marine general liability and wharfingers legal liability, remotely piloted aircraft system insurance and various miscellaneous automobile liability policies.
- We have provided recommendations to our insureds on a variety of new contracts, including long-term automobile and equipment leases.

Goals

As we continue to provide services to our clients in an informative, expedient and helpful way, additional goals will include:

- Over the next year we will research and explore new Risk Management Information Systems in an effort to become more efficient, less reliant on paper files, and capture data in a more informative way.
- We are exploring the needs of Government for greater risk management services. We are currently carrying out a pilot project, which provides dedicated risk management services and supports to a specific government department.
- We are currently identifying and meeting with the Designated Insurance Representatives (DIR) for each of our clients. We will continue to meet with and educate the DIRs with regards to RMIs services, procedures, and serve as an opportunity for the DIRs to ask questions.
- Over the next months, work will continue with Legal Services to introduce a procedure on contract review requests.

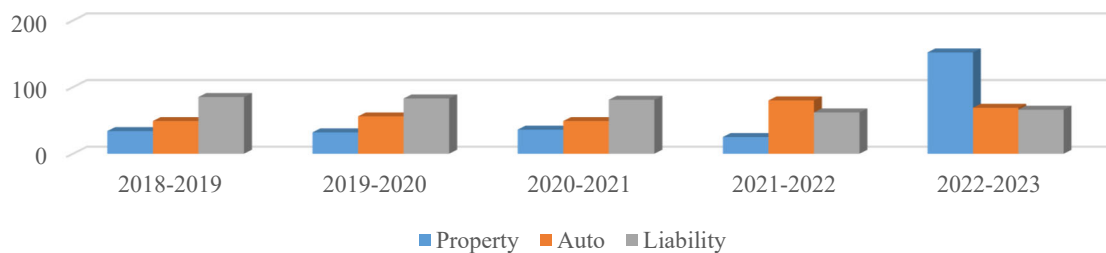
RISK MANAGEMENT & INSURANCE – 2022-2023

Claims/Incidents Activity Reports

Claims

	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
Property	34	32	36	25	152
Auto	49	56	49	80	69
Liability	85	83	81	62	66
TOTAL:	168	171	166	167	287

Claims Activity 2018-2023

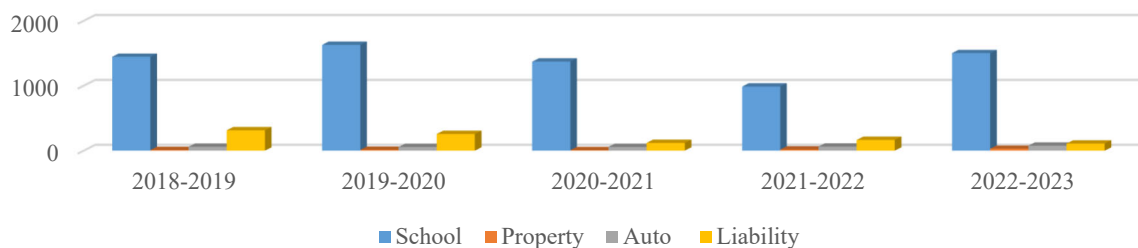


Incidents

	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
School (I)	1446	1631	1373	988	1503
Property (I)	10	13	8	17	29
Auto (I)	60	57	58	63	77
Liability (I)	314	258	120	166	110
TOTAL:	1830	1959	1559	1234	1719

Incidents (I) = Number of Written Reports Received for Each Class of Incident and Files Opened in the Event a Claim is pursued.

Incident Activity 2018-2023



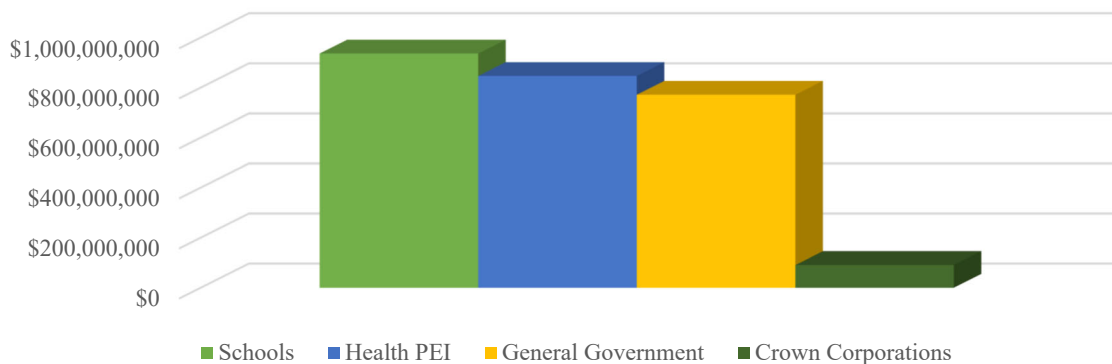
RISK MANAGEMENT & INSURANCE – 2022-2023

Insured Property Values/Auto Fleet Statistics

Insured Property Values (Building/Equipment/Contents)

Insured	Number of Locations	Building Values	Contractors Equipment Values	Content Values	Total
Schools	78	\$850,945,881	\$0	\$85,094,589	\$936,040,470
Health PEI	30	\$678,159,594	\$0	\$168,351,171	\$846,510,765
General Government	455	\$621,437,399	\$49,845,386	\$100,331,421	\$771,614,206
Crown Corporations	59	\$57,288,774	\$2,505,621	\$31,296,000	\$91,090,395
TOTAL	622	\$2,207,831,648	\$52,351,007	\$385,073,181	\$2,645,255,836

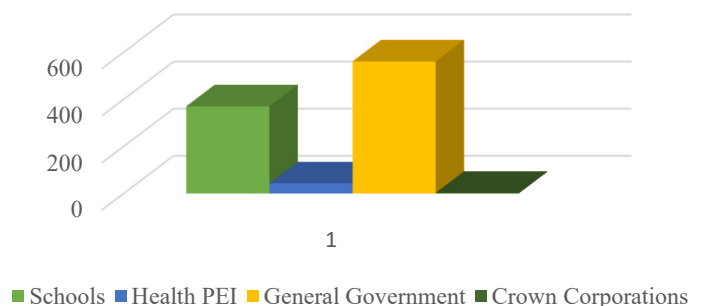
Total Insured Property Values



Insured Fleet Vehicles

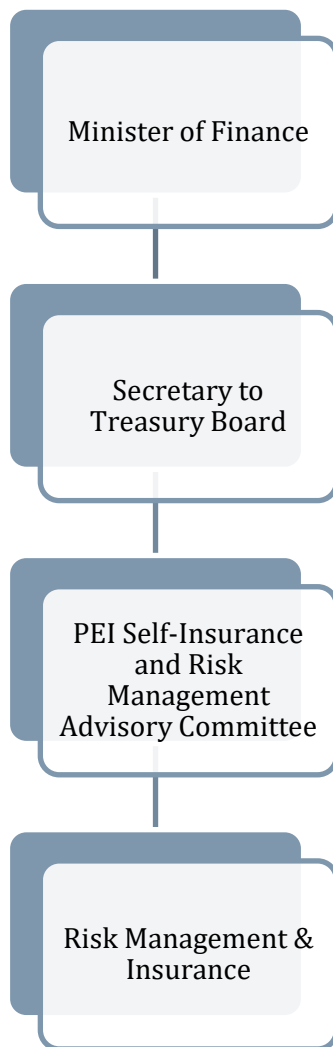
Insured	Number of Vehicles
Schools	370
Health PEI	43
General Government	561
Crown Corporations	3
TOTAL	977

Fleet Automobile Statistics



Organizational Structure

For the fiscal year 2022-2023, Risk Management & Insurance employed 4 FTEs including a Risk Supervisor, two Insurance Officers and an Admin/Finance Officer. It is planned for the next fiscal year that this Division will expand to include a Director of Risk Management & Insurance and two temporary part-time risk consultants.



Financial Statements & Auditor's Report

PRINCE EDWARD ISLAND SELF-INSURANCE AND RISK MANAGEMENT FUND

Financial Statements
March 31, 2023

Management's Report

Management's Responsibility for the Financial Statements

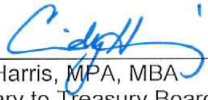

The financial statements have been prepared by management in accordance with Canadian Public Sector Accounting Standards and the integrity and objectivity of these statements are management's responsibility. Management is responsible for the notes to the financial statements and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements.

Management is responsible for implementing and maintaining a system of internal control to provide reasonable assurance that reliable financial information is produced.

Treasury Board is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board reviews internal financial reports on a regular basis and externally audited financial statements annually.

The Office of the Auditor General conducts an independent examination, in accordance with Canadian generally accepted auditing standards and expresses their opinion on the financial statements. The Office of the Auditor General has full and free access to financial information and management of the Prince Edward Island Self-Insurance and Risk Management Fund to meet as required.

On behalf of the Prince Edward Island Self-Insurance and Risk Management Fund


Cindy Harris, MPA, MBA
Secretary to Treasury Board
Lori Ellis, LLB, LLM (ADR)
Director, Risk Management and Insurance
Vicki Hamilton, CPA, CA
Chief Financial Officer, Department of Finance

June 29, 2023



Prince Edward Island

Office of the Auditor General

PO Box 2000, Charlottetown PE
Canada C1A 7N8

Île-du-Prince-Édouard

Bureau du vérificateur général

C.P. 2000, Charlottetown PE
Canada C1A 7N8

INDEPENDENT AUDITOR'S REPORT

To the Members of Treasury Board

Opinion

We have audited the financial statements of the **Prince Edward Island Self-Insurance and Risk Management Fund**, which comprise the statement of financial position as at March 31, 2023, and the statements of operations and accumulated surplus, changes in net financial assets, and cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2023, and the results of its operations, changes in net financial assets, and cash flow for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Basis for Opinion

We conducted the audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian Public Sector Accounting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless an intention exists to liquidate or cease the operations of the Fund, or there is no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error

RISK MANAGEMENT & INSURANCE – 2022-2023

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and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Darren Noonan, CPA, CA
Auditor General



Elvis Alisic, CPA, CA
Assistant Auditor General

Charlottetown, Prince Edward Island
June 29, 2023

RISK MANAGEMENT & INSURANCE – 2022-2023

**PRINCE EDWARD ISLAND
SELF-INSURANCE AND RISK MANAGEMENT FUND**
Statement of Financial Position
March 31, 2023

	2023	2022
	\$	\$
Financial Assets		
Accounts receivable (Note 4)	160,035	42,867
Due from the Province of Prince Edward Island (Note 5)	<u>36,851,410</u>	<u>30,704,689</u>
	<u>37,011,445</u>	<u>30,747,556</u>
Liabilities		
Accounts payable and accrued liabilities	21,771	32,280
Excess insurer advance (Note 6)	233,586	-
Reserve for unsettled claims (Note 7)	<u>12,420,144</u>	<u>11,206,938</u>
	<u>12,675,501</u>	<u>11,239,218</u>
Net Financial Assets	<u>24,335,944</u>	<u>19,508,338</u>
Non Financial Assets		
Prepaid expenses	<u>159,885</u>	<u>152,000</u>
Accumulated Surplus	<u>24,495,829</u>	<u>19,660,338</u>

(The accompanying notes are an integral part of these financial statements.)

Approved on behalf of Treasury Board:


Chair


Member

RISK MANAGEMENT & INSURANCE – 2022-2023

PRINCE EDWARD ISLAND SELF-INSURANCE AND RISK MANAGEMENT FUND

Statement of Operations and Accumulated Surplus
for the year ended March 31, 2023

	Budget 2023	2023	2022
	\$	\$	\$
Revenues			
Insurance premiums (Note 8)	10,274,500	10,228,330	8,585,390
Grant in lieu of interest (Note 5)	175,000	175,000	175,000
Claim recoveries (Note 9)	100,000	187,631	104,855
	<u>10,549,500</u>	<u>10,590,961</u>	<u>8,865,245</u>
Expenses			
Claims (Note 7)	2,500,000	2,621,399	3,376,950
Consulting	175,000	132,635	155,612
Insurance premiums (Note 10)	2,632,000	2,689,164	2,252,641
Office and travel	10,000	6,301	5,936
Salary and benefits	299,500	305,971	287,356
	<u>5,616,500</u>	<u>5,755,470</u>	<u>6,078,495</u>
Annual Surplus	<u>4,933,000</u>	<u>4,835,491</u>	<u>2,786,750</u>
Accumulated Surplus, beginning of year	<u>19,660,338</u>	<u>19,660,338</u>	<u>16,873,588</u>
Accumulated Surplus, end of year	<u>24,593,338</u>	<u>24,495,829</u>	<u>19,660,338</u>

(The accompanying notes are an integral part of these financial statements.)

RISK MANAGEMENT & INSURANCE – 2022-2023

**PRINCE EDWARD ISLAND
SELF-INSURANCE AND RISK MANAGEMENT FUND**
Statement of Changes in Net Financial Assets
for the year ended March 31, 2023

	Budget 2023	2023	2022
	\$	\$	\$
Net Financial Assets, beginning of year	19,508,338	19,508,338	16,761,755
Change in year:			
Annual surplus	4,933,000	4,835,491	2,786,750
Prepaid expenses	-	(7,885)	(40,167)
	<u>4,933,000</u>	<u>4,827,606</u>	<u>2,746,583</u>
Net Financial Assets, end of year	<u>24,441,338</u>	<u>24,335,944</u>	<u>19,508,338</u>

(The accompanying notes are an integral part of these financial statements.)

RISK MANAGEMENT & INSURANCE – 2022-2023

PRINCE EDWARD ISLAND SELF-INSURANCE AND RISK MANAGEMENT FUND

Statement of Cash Flow
for the year ended March 31, 2023

	2023	2022
	\$	\$
Cash provided (used) by:		
Operating Activities		
Annual surplus	4,835,491	2,786,750
Changes in:		
Accounts receivable	(117,168)	(15,528)
Due from the Province of Prince Edward Island	(6,146,721)	(5,054,330)
Accounts payable and accrued liabilities	(10,509)	11,917
Excess insurer advance	233,586	-
Reserve for unsettled claims	1,213,206	2,311,358
Prepaid expenses	(7,885)	(40,167)
Cash provided by operating activities	-	-
Cash, beginning of year	-	-
Cash, end of year	-	-

(The accompanying notes are an integral part of these financial statements.)

PRINCE EDWARD ISLAND SELF-INSURANCE AND RISK MANAGEMENT FUND

Notes to Financial Statements
March 31, 2023

1. Nature of Operations

The Prince Edward Island Self-Insurance and Risk Management Fund (the Fund) was established under Part II of the *Financial Administration Act*. The Fund provides risk management services as well as general liability, errors and omissions, primary property, crime, and automobile liability insurance for government entities. The Fund has risk management obligations that cause it to incur expenses related to claims. The Fund is administered by Treasury Board.

2. Summary of Significant Accounting Policies

Basis of Accounting

These financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards. Since the Fund has no unrealized remeasurement gains or losses attributed to foreign exchange, derivatives, portfolio investments, or other financial instruments, a statement of remeasurement gains and losses has not been prepared.

The following is a summary of the significant accounting policies used in the preparation of these financial statements.

a) Reserve for Unsettled Claims

The reserve for unsettled claims represents management's best estimate of the total costs, including investigation, litigation, and the projected final settlement of specific claims incurred as of the financial statement date. It also includes a general reserve to cover possible claims incurred as of the financial statement date but not yet reported to management.

b) Prepaid Expenses

Prepaid expenses include payments for insurance and are expensed over the periods expected to benefit.

c) Revenues and Expenses

Revenues and expenses are recorded on an accrual basis in the period in which the transaction or event that gave rise to the revenue or expense occurred.

d) Recoveries

Recoveries represents management's best estimate of the full amount of costs that can be recovered or are receivable, less any amounts that are uncollectible. Claim recoveries include amounts recovered or receivable from both first and third parties in relation to individual claims.

PRINCE EDWARD ISLAND SELF-INSURANCE AND RISK MANAGEMENT FUND

Notes to Financial Statements
March 31, 2023

2. Summary of Significant Accounting Policies (continued...)

e) Use of Estimates and Measurement Uncertainty

The preparation of the Fund's financial statements, in conformity with Canadian Public Sector Accounting Standards, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and the differences could be material.

The items requiring the use of significant estimates are the reserve for unsettled claims and claim recoveries. Claim recoveries are estimated based on management's best estimate of amounts expected to be recovered in relation to claims. The reserve for unsettled claims arises from estimates of anticipated costs such as professional expenses and damages to settle claims that are currently open. The amount also represents an estimate for those incidents that have been incurred but not reported to management as of the financial statement date. An actuarial review of the Fund's reserve for unsettled claims is performed annually as at March 31. The actuarial review is based on claim data as at December 31 of the previous year and is rolled forward to March 31 based on common actuarial methodologies. The estimate was determined using Canadian accepted actuarial practices. After consultation with the Fund's actuary, management approved the estimate.

3. Financial Instruments

Financial instruments consist of accounts receivable, amounts due from the Province of Prince Edward Island, accounts payable and accrued liabilities, and excess insurer advance. They are carried at cost, less any provisions on accounts receivable. Provisions are calculated on a specific basis. Due to their short-term nature, the carrying value of these financial instruments approximates their fair value. The Fund is exposed to market, credit, and liquidity risk in relation to their financial instruments as disclosed in Note 11.

4. Accounts Receivable

	<u>2023</u>	<u>2022</u>
	\$	\$
Recoveries	142,535	29,349
Other	<u>17,500</u>	<u>13,518</u>
	<u>160,035</u>	<u>42,867</u>

RISK MANAGEMENT & INSURANCE – 2022-2023

PRINCE EDWARD ISLAND SELF-INSURANCE AND RISK MANAGEMENT FUND

Notes to Financial Statements
March 31, 2023

5. Due from the Province of Prince Edward Island

The amount due from the Province of Prince Edward Island of \$36,851,410 (2022 - \$30,704,689) includes \$6,887,571 that was invested in Provincial Deposit Receipts until March 31, 1997. At that time, Treasury Board directed the investment be redeemed and replaced by a non-interest bearing account receivable from the Province. In lieu of interest on investments, an annual payment of \$175,000 is paid by the Province to the Fund. The Fund does not maintain its own bank account. All transactions of the Fund are processed through the Province's bank account with the net change reflected in the due from the Province of Prince Edward Island account.

6. Excess Insurer Advance

Post-tropical storm Fiona caused significant damage to insured properties on September 24, 2022, exceeding the Fund's self retention limits. The excess insurers requested that the Fund process the payments on their behalf due to the volume of claims. The excess insurers advanced the Fund \$3,000,000 and as of March 31, 2023, a balance remains of \$233,586. Any advanced funds that are not used to pay claims covered by the excess insurers must be returned to them.

7. Reserve for Unsettled Claims

	<u>Liability</u> \$	<u>Property</u> \$	<u>Auto</u> \$	<u>Total</u> <u>2023</u> \$	<u>Total</u> <u>2022</u> \$
Reserve, beginning of year	<u>9,781,915</u>	<u>360,499</u>	<u>1,064,524</u>	<u>11,206,938</u>	<u>8,895,580</u>
Changes in year:					
Settlement costs paid	(31,049)	(716,079)	(183,920)	(931,048)	(455,787)
Professional fees paid	(392,098)	(47,924)	(37,123)	(477,145)	(609,805)
Increase in claims expense	<u>1,203,948</u>	<u>1,123,579</u>	<u>293,872</u>	<u>2,621,399</u>	<u>3,376,950</u>
Net change in reserve	<u>780,801</u>	<u>359,576</u>	<u>72,829</u>	<u>1,213,206</u>	<u>2,311,358</u>
Reserve, end of year	<u>10,562,716</u>	<u>720,075</u>	<u>1,137,353</u>	<u>12,420,144</u>	<u>11,206,938</u>

8. Revenue - Insurance Premiums

	<u>2023</u> \$	<u>2022</u> \$
General liability, errors, and omissions	5,035,224	4,196,020
Primary property and crime	3,639,605	3,044,961
Automobile liability	1,413,501	1,204,409
General government	<u>140,000</u>	<u>140,000</u>
	<u>10,228,330</u>	<u>8,585,390</u>

RISK MANAGEMENT & INSURANCE – 2022-2023

PRINCE EDWARD ISLAND SELF-INSURANCE AND RISK MANAGEMENT FUND

Notes to Financial Statements
March 31, 2023

9. Claim Recoveries

	<u>2023</u>	<u>2022</u>
	\$	\$
General liability, errors, and omissions	7,102	7,924
Change in estimated recoveries	<u>1,310</u>	<u>4,089</u>
	<u>8,412</u>	<u>12,013</u>
Primary property and crime	37,554	83,314
Change in estimated recoveries	<u>108,476</u>	<u>(6,867)</u>
	<u>146,030</u>	<u>76,447</u>
Automobile liability	29,789	11,608
Change in estimated recoveries	<u>3,400</u>	<u>4,787</u>
	<u>33,189</u>	<u>16,395</u>
	<u>187,631</u>	<u>104,855</u>

10. Insurance Premiums Expense

	<u>2023</u>	<u>2022</u>
	\$	\$
General liability, errors, and omissions	970,117	786,583
Primary property and crime	1,344,425	1,109,280
Automobile liability	<u>374,622</u>	<u>356,778</u>
	<u>2,689,164</u>	<u>2,252,641</u>

11. Financial Management

The Fund is exposed to market, credit, and liquidity risk from its financial instruments. An analysis of these risks is provided below.

Market Risk

Market risk is comprised of currency, interest rate, and price risk. The Fund does not hold or operate in foreign currency and thus market risk is derived from interest rate and price risk. Changes in interest rates significantly impact insurance companies and thus could increase the cost of premiums paid by the Fund. This risk is mitigated through the use of independent consultants and brokers to negotiate rates from reputable insurers and to monitor the market place for changes that could impact the Fund.

PRINCE EDWARD ISLAND SELF-INSURANCE AND RISK MANAGEMENT FUND

Notes to Financial Statements
March 31, 2023

11. Financial Management (continued...)

Credit Risk

The Fund is exposed to credit risk with respect to accounts receivable. The Fund mitigates this risk through a regular monitoring process. Credit risk is also mitigated due to the fact that the majority of the receivables are due from the Province of Prince Edward Island who controls 100 percent of the Fund. The Fund has no impaired accounts receivable at March 31, 2023.

Liquidity Risk

Liquidity risk is the risk that the Fund will not be able to meet all of its cash outflow obligations as they come due. The Fund mitigates this risk by monitoring the level of its financial assets and the growth of the same and by purchasing excess insurance to provide additional liability coverage on individual claims.

The self retention limits for the Fund per claim in the current fiscal year were:

Commercial General Liability	\$5,000,000	and	\$1,000,000 (Medical Malpractice)
Errors & Omissions Liability	\$5,000,000	and	\$1,000,000 (Medical Malpractice)
Directors & Officers Liability	\$5,000,000	and	\$1,000,000 (Medical Malpractice)
Property	\$ 250,000	and	\$ 100,000 (Health PEI), \$25,000 (QEH)
Auto	\$1,000,000		

Additional coverage from excess insurers:

Commercial General Liability	\$10,000,000	and	\$ 19,000,000 (Medical Malpractice)
Errors & Omissions Liability	\$10,000,000	and	\$ 19,000,000 (Medical Malpractice)
Directors & Officers Liability	\$10,000,000	and	\$ 10,000,000 (Medical Malpractice)
Property	\$50,000,000	and	\$377,039,482 (Health Facilities), \$ 46,767,600 (PEILCC and PEICMC)
Auto	\$19,000,000		

12. Employee Future Benefits

a) Sick Leave

Under existing employment agreements, employees are credited 1.25 days per month for use as paid absences in the year due to illness or injury. Employees are allowed to accumulate unused sick day credits each year up to the allowable maximum. Accumulated credits may be used in future years to the extent the employee's illness or injury exceeds the current year's allocation. The use of accumulated sick days for sick leave compensation ceases on termination of employment and there is no obligation to settle these amounts with cash payments. A liability has not been calculated and no accrual has been recorded in these financial statements. The related liability is recorded by the Province.

**PRINCE EDWARD ISLAND
SELF-INSURANCE AND RISK MANAGEMENT FUND**
Notes to Financial Statements
March 31, 2023

12. Employee Future Benefits (continued...)

b) Pension

Permanent employees of the Fund participate in the Province of Prince Edward Island Public Sector Pension Plan (the Plan) which is a multi-employer contributory defined benefit pension plan. The Plan provides a pension on retirement based on two percent of the best three year average salary times the number of years of pensionable service for service to December 31, 2013, and two percent of the career average salary indexed with cost of living adjustments after 2013. Indexing is subject to the funded level of the Plan after December 31, 2016. The Plan is administered by the Province of Prince Edward Island. The Fund's annual portion of the contributions to the Plan was paid by the Province and recognized on the Province's financial statements. Any unfunded liability of the Plan is the responsibility of the Province and therefore no liability has been recognized in these financial statements.

c) Retirement Allowance

The Fund provides a retirement allowance to its classified employees. The amount paid to eligible employees at retirement is based on the number of years of service and the rate of pay in effect at the retirement date. The benefit costs and liabilities related to the allowance are assumed by the Province and not included in these financial statements.

13. Related Party Transactions

Premiums collected and first party claims paid are with government entities. Certain costs incurred by the Province on behalf of the Fund are not reflected in these financial statements. These costs include office accommodations, equipment and support, other employee benefits, and administrative expenses.

14. Budgeted Figures

Budgeted figures provided for comparative purposes have been approved by the Advisory Committee.

