



# Risk Management and Insurance

2023 – 2024



# ANNUAL REPORT

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## Message from the Minister

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

May it Please Your Honour,

Pursuant to the *Financial Administration Act* is my privilege to submit the Risk Management and Insurance section's Annual Report and the PEI Self-Insurance and Risk Management financial statement for the period ending March 31, 2024.



Respectfully submitted,

A handwritten signature in cursive script that reads "Jill Burridge".

Hon. Jill Burridge  
Department of Finance  
September 24, 2024

## Overview

### 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.

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 can 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 Insurance Policies, when it occurs."<sup>1</sup>

### Mission Statement:

Our mission is to provide a fulsome insurance program and claims services to our client partners, along with informed and timely risk management services.

### Vision Statement:

To work collaboratively with departments, crown corporations, agencies, and commissions towards a goal of eliminating or minimizing the potential for loss for the Government of Prince Edward Island.

To provide a quality service that protects public sector assets and supports public sector employees and programs while also mitigating risks before and after they occur.

### Legislated Powers:

The PEI Self-Insurance and Risk Management Fund is established under Part II of the *Financial Administration Act*.

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<sup>1</sup> Section 11.02 – Policy Statement, Treasury Board Policies and Procedures Manual, 2023.

## Deputy Head's Overview

The Honorable Jill Burridge  
Minister of Finance



Dear Minister Burridge,

It is my privilege to submit the annual report for the Risk Management and Insurance (RMI) section of Finance. Included in this report are the audited financial statements of the PEI Self-Insurance and Risk Management Fund (“the Fund”) for the year ending March 31, 2024.

Climate change, an increasingly litigious society and escalating financial uncertainty are making managing public sector risks more challenging than ever. Our RMI section continues to work hard to expand its programs, services and expertise to better help its client partners navigate, mitigate and avoid their respective risks.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read 'C. Harris'.

Cindy Harris  
Secretary to Treasury Board  
Department of Finance  
September 24, 2024

# Year in Review – Highlights and Key Achievements

## Risk Management Pilot Project

### *Dedicated risk management staff*

RMI introduced a pilot project with Social Development and Seniors that provided specific and dedicated risk management staff to work closely with department staff in Child and Family Services. Feedback on this pilot project has been positive and we are currently hiring a permanent quality and risk consultant to provide dedicated risk management services to government departments.

## Tribunal Process Support

### *Risk advice and support for dealings with tribunal investigations*

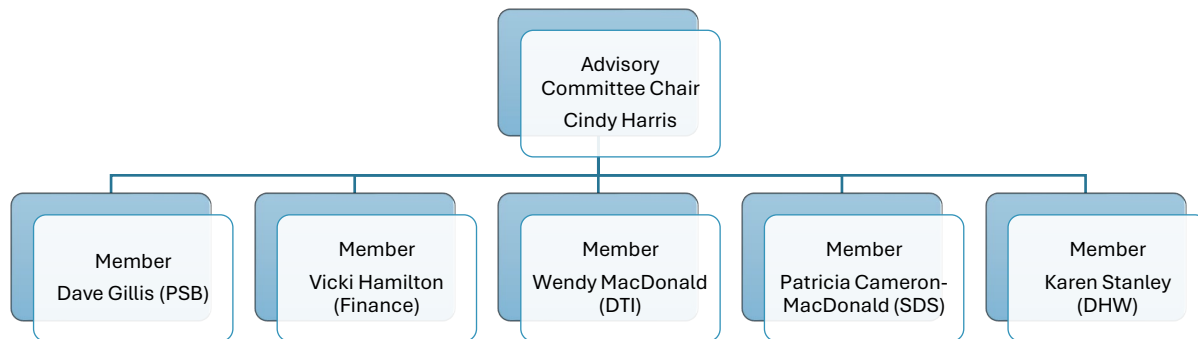
RMI has seen increased requests for support during tribunal investigations (OmbudsPEI, Office of the Child and Youth Advocate, Human Rights Commission, etc.) during this fiscal year. Our section has provided this important assistance with the goals of supporting staff and workforce retention.

Key Achievements to Date
<ul style="list-style-type: none"> <li>• We have presented to our client partners on a variety of topics including insurance requirements in contracts, insurance certificate reviews, risk management and claim reporting.</li> <li>• We are active in the insurance and risk management community, and place a strong focus on internal training and development. This allows us to provide our client partners with the most relevant and effective supports.</li> <li>• We have increased communication, support and engagement with our client departments, crown corporations and school boards in relation to risk management services to ensure our clients understand how RMI can assist them in managing their operational risks.</li> <li>• We have received and handled 2,091 accident/loss reporting forms which included 33 property claims, 65 automobile claims, and 79 liability claims as well as 1,914 incidents, some of which could develop into claims.</li> <li>• We have facilitated insurance under the Fund, as well as regular market options for over \$3 billion in government property assets and almost 1,000 fleet vehicles.</li> <li>• We are working with Information Technology Shared Services to develop a more effective and innovative Risk Management Information System, which we expect will proceed in 2024-2025.</li> <li>• We continue to work towards a consistent and efficient contract review process to support our clients’ needs.</li> </ul>

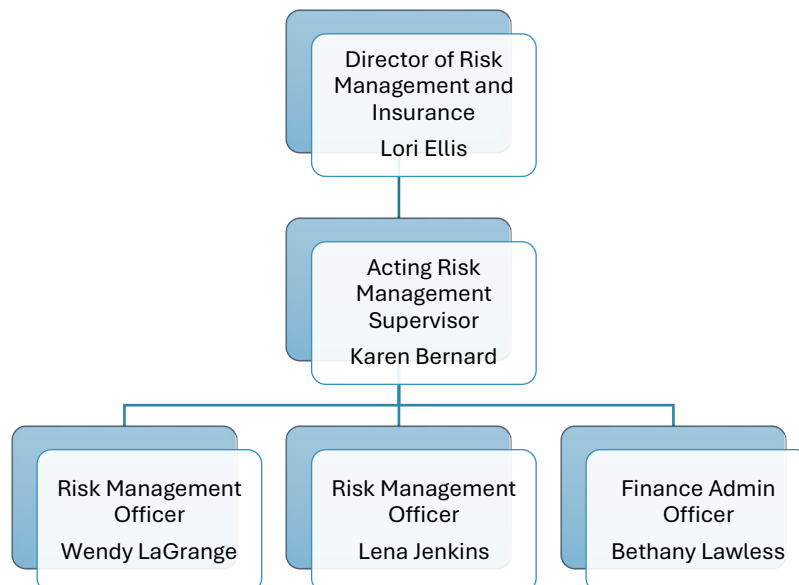
## Organizational Chart



### PEI Self-Insurance and Risk Management Fund Advisory Committee



### Risk Management and Insurance Section



## Future Goals and Action Plans

We continue to strive to provide excellent service to our clients. Going forward, we will also commit to:

- Develop our team to meet the need for proactive risk management advice in effort to mitigate or avoid losses. This goal will be actioned by:
  - creating a new Quality Risk Consultant position to be added to the RMI team in 2024-2025; and,
  - continually assessing the need for additional services or supports that can be offered through RMI.
- Educate and support our insureds in risk management activities to demonstrate the need for all employees to be risk minded. This goal will be actioned through:
  - engaging with our client partners to promote our services; and,
  - offering practical, educational presentations to our client partners on insurance and risk management topics.
- Further develop internal processes to support our team and ensure consistent decision making and increased efficiency. This goal will be actioned through:
  - the implementation of team agreements; and,
  - development of internal policies and procedures.
- Explore alternative risk transfer and risk financing options to supplement RMIs existing portfolio. This goal will be actioned through:
  - active involvement in industry learning and engagement to ensure staff are kept up-to-date on trends and solutions; and
  - engagement with our client partners to identify potentially uninsured or unassessed risks and suggest solutions to mitigate or avoid losses that could arise from these risks.



## Section Accountability - Results/Outcomes Achieved

RMI carries out its mandate of working collaboratively with its client partners towards a goal of eliminating or minimizing the potential for loss by offering specific services and programs, including:

### Provision and Placement of Insurance Coverages

#### *Self-Insurance program coverages, as well as private market insurance policy placements*

The RMI team works with client partners to assess their insurance needs and either offer coverages through the Fund or assist in sourcing and providing advice on insurance available through the insurance market.

### Claims Handling Services

#### *Experienced claims management services for government's unique risks*

The RMI team also provides claims handling services for all matters that fall under the Fund programs. Our staff are uniquely qualified in handling claims that arise out of public sector operations, and are sensitive to the financial, reputational, and operational harm that a claim or lawsuit may create. RMI works closely with other experts, such as independent adjusters, external and internal legal counsel, and subject matter experts to ensure claims against client partners are investigated and settled in a timely and fair manner. We also have expertise in recognizing when alternative dispute resolution pathways may be appropriate in resolving difficult disputes.

### Contract Review Advice

#### *Feedback on Insurance requirements in contracts*

The RMI team receives and reviews contracts from its client partners daily. The team will review the potential risks of a contract and provide advice on appropriate types and limits of insurance that should be requested based on the analysis of each individual contract. RMI reviews various types of contracts across government organizations, which include funding agreements, professional service agreements, rental and lease agreements, and Canadian Construction Documents Committee contracts.

### Risk Management Advice

#### *Proactive risk management to avoid potential or future claims*

The RMI team is engaged by client partners to review programs and operations, and to provide advice on how better to assess, mitigate and avoid operational risks. Risk management advice is often contemplated after a loss has occurred in the context of avoiding future losses, but RMI endeavors to offer risk management advice prior to a loss occurring.

## Section Activity and Information

### Self-Insurance Property Insurance Program

#### *Total property insurance values and claim/incident data*

RMI insures buildings, equipment and content through the Fund. Aside from the Fund coverages, RMI is also able to assist in securing insurance coverage from private insurers for those properties that are ineligible for coverage under the Fund. Details of properties and limits insured under the Fund for 2023-2024 are as follows:

Insured	# of Buildings	Building Values	Contractors Equipment Values	Content Values	Total
Schools	78	\$991,089,186	\$0	\$99,108,919	\$1,090,198,105
Health PEI	30	\$791,350,524	\$0	\$172,827,686	\$964,178,210
General Government	486	\$761,898,888	\$56,309,904	\$102,508,595	\$920,717,387
Crown Corporations	57	\$58,991,841	\$3,128,931	\$32,371,000	\$94,491,772
<b>TOTAL</b>	<b>651</b>	<b>\$2,603,330,439</b>	<b>\$59,438,835</b>	<b>\$406,816,200</b>	<b>\$3,069,585,474</b>

RMI is also responsible for the claim handling function for the Fund's property insurance program. This function includes claims that require adjusting services and insurance payouts, or incidents that are simply recorded for data/risk management purposes. The 5-year overview of the Fund's property claims and incidents are as follows:

	2019-2020	2020-2021	2021-2022	2022-2023*	2023-2024
Claims	33	36	25	156	33
Incidents	13	8	17	29	23
<b>TOTAL</b>	<b>46</b>	<b>44</b>	<b>42</b>	<b>185</b>	<b>56</b>

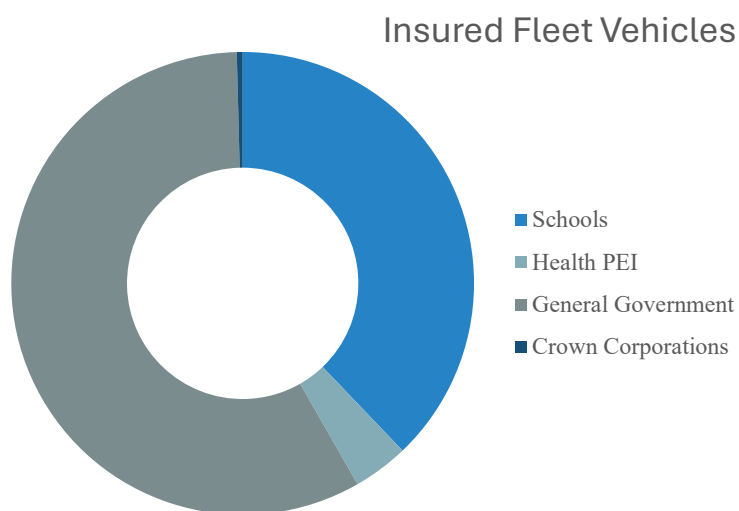
\*2022-2023 saw a large increase in claims reported largely due to the impact of Hurricane Fiona on government infrastructure.

## Self-Insurance Auto Insurance Program

### *Fleet counts and claim/incident data*

Through the Fund, RMI insures fleet vehicles owned by government and operated by government employees. The fleet includes private passenger vehicles, medium and heavy-duty vehicles, and even off-road vehicles. Aside from the Fund coverages, RMI can assist in securing insurance coverage from private insurers for those Government owned vehicles that are not operated by Government employees (e.g. coroner transport vehicles, forest fire trucks placed with volunteer fire departments, etc.). Details of fleet vehicles insured under the Fund for 2023-2024 are as follows:

<b>Insured</b>	<b>Number of Vehicles</b>
Schools	371
Health PEI	38
General Government	567
Crown Corporations	4
<b>TOTAL</b>	<b>980</b>



RMI is also responsible for the claims adjusting function for the Fund’s automobile insurance program. This function includes claims that require adjusting services and insurance payouts, or incidents that are simply recorded for data/risk management purposes. The 5-year overview of the Fund’s auto claims and incidents are as follows:

	<b>2019-2020</b>	<b>2020-2021</b>	<b>2021-2022</b>	<b>2022-2023</b>	<b>2023-2024</b>
Claims	56	49	80	69	65
Incidents	57	58	63	77	57
<b>TOTAL</b>	<b>113</b>	<b>107</b>	<b>143</b>	<b>146</b>	<b>122</b>

### Self-Insurance Liability Insurance Program

*Summary of liability losses and claim/incident data*

RMI insures the liability arising out of government’s various operations through the Fund. Insureds under this program include core government, crown corporations, school boards and tribunals. Claims arising out of government’s liability vary from road hazard claims to medical malpractice to breach of contract to discrimination.

Aside from the Fund’s coverages, RMI can assist in securing insurance coverage from private insurers for liability exposures not covered under the Fund’s liability program including harbour and wharfinger’s liability, aviation liability, wrap-up liability coverage for construction projects, etc.

RMI is also responsible for the claims adjusting function for the Fund’s liability insurance program. This function includes claims that require adjusting services and insurance payouts, or incidents that are simply recorded for data/risk management purposes. The 5-year overview of the Fund’s liability claims and incidents are as follows:

	<b>2019-2020</b>	<b>2020-2021</b>	<b>2021-2022</b>	<b>2022-2023</b>	<b>2023-2024</b>
Claims	83	81	64	67	79
Incidents	1,889	1,493	1,154	1,613	1,834
TOTAL:	1,972	1,574	1,218	1,680	1,913

**PRINCE EDWARD ISLAND  
SELF-INSURANCE AND  
RISK MANAGEMENT FUND**

Financial Statements  
March 31, 2024

## 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  
Director of Finance, Department of Finance

June 28, 2024

## 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** (the Fund), which comprise the statement of financial position as at March 31, 2024, 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 accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2024, 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.

#### Key Audit Matter

Key audit matter is a matter that, in our professional judgement, was most significant in our audit of the Fund's financial statements for the fiscal year ended March 31, 2024. This matter was addressed in the context of our audit of the Fund's financial statements as a whole, and in forming our opinion thereon. We do not provide a separate opinion on this matter.

The Fund recognized a reserve for unsettled claims of \$13,523,076 as at March 31, 2024 (2023 - \$12,420,144). The reserve was identified as a key audit matter because of the extensive judgement required in estimating costs expected to be paid in relation to unsettled claims and the inherent complexity of the estimate methodology. Notes 2(a) and 2(e) of the financial statements outline the nature of the liability and the challenges around its estimation. Information on the reserve balance is disclosed in Note 7. Management engages an actuarial expert to measure the reserve. The selection of assumptions and methodologies requires significant judgements and given the magnitude of the estimate, these impacts could be material.

Our audit work to address this key audit matter included assessing the appropriateness of the methodology, data, and assumptions used by management to determine the estimate. We tested on a sample basis the completeness and accuracy of the reserve's underlying data that was updated during the year and used in the actuarial review. Additionally, we performed a review of subsequent data to assess the completeness and accuracy of the reserve. This is relevant since subsequent information may provide more certainty related to existing incidents and claims.

### **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 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 judgement 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 28, 2024

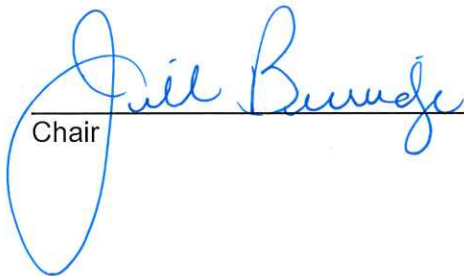
**PRINCE EDWARD ISLAND  
SELF-INSURANCE AND RISK MANAGEMENT FUND**

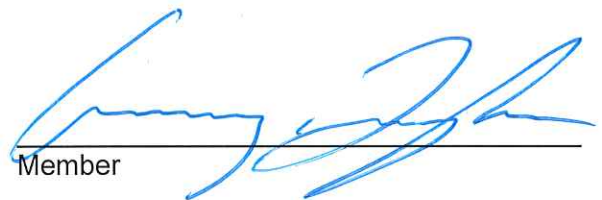
Statement of Financial Position  
March 31, 2024

	2024	2023
	\$	\$
<b>Financial Assets</b>		
Accounts receivable (Note 4)	208,229	160,035
Due from the Province of Prince Edward Island (Note 5)	<u>44,202,129</u>	<u>36,851,410</u>
	<u>44,410,358</u>	<u>37,011,445</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	48,603	21,771
Excess insurer advance (Note 6)	1,047,094	233,586
Reserve for unsettled claims (Note 7)	<u>13,523,076</u>	<u>12,420,144</u>
	<u>14,618,773</u>	<u>12,675,501</u>
<b>Net Financial Assets</b>	<u>29,791,585</u>	<u>24,335,944</u>
<b>Non Financial Assets</b>		
Prepaid expenses	<u>122,283</u>	<u>159,885</u>
<b>Accumulated Surplus</b>	<u>29,913,868</u>	<u>24,495,829</u>

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

Approved on behalf of Treasury Board:

  
Chair

  
Member

**PRINCE EDWARD ISLAND  
SELF-INSURANCE AND RISK MANAGEMENT FUND**

Statement of Operations and Accumulated Surplus  
for the year ended March 31, 2024

	Budget 2024	2024	2023
	\$	\$	\$
<b>Revenues</b>			
Insurance premiums (Note 8)	12,040,800	12,070,412	10,228,330
Grant in lieu of interest (Note 5)	175,000	-	175,000
Claim recoveries (Note 9)	<u>100,000</u>	<u>214,035</u>	<u>187,631</u>
	<u>12,315,800</u>	<u>12,284,447</u>	<u>10,590,961</u>
<b>Expenses</b>			
Claims (Note 7)	3,000,000	2,960,643	2,621,399
Consulting	212,500	123,338	132,635
Insurance premiums (Note 10)	3,430,500	3,311,555	2,689,164
Office and travel	15,000	24,796	6,301
Salary and benefits	<u>411,200</u>	<u>446,076</u>	<u>305,971</u>
	<u>7,069,200</u>	<u>6,866,408</u>	<u>5,755,470</u>
<b>Annual Surplus</b>	<u>5,246,600</u>	<u>5,418,039</u>	<u>4,835,491</u>
Accumulated Surplus, beginning of year	<u>24,495,829</u>	<u>24,495,829</u>	<u>19,660,338</u>
<b>Accumulated Surplus, end of year</b>	<u>29,742,429</u>	<u>29,913,868</u>	<u>24,495,829</u>

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

**PRINCE EDWARD ISLAND  
SELF-INSURANCE AND RISK MANAGEMENT FUND**

Statement of Changes in Net Financial Assets  
for the year ended March 31, 2024

	Budget 2024	2024	2023
	\$	\$	\$
<b>Net Financial Assets, beginning of year</b>	24,335,944	24,335,944	19,508,338
<b>Change in year:</b>			
Annual surplus	5,246,600	5,418,039	4,835,491
Prepaid expenses	<u>(16,000)</u>	<u>37,602</u>	<u>(7,885)</u>
	<u>5,230,600</u>	<u>5,455,641</u>	<u>4,827,606</u>
<b>Net Financial Assets, end of year</b>	<u>29,566,544</u>	<u>29,791,585</u>	<u>24,335,944</u>

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

**PRINCE EDWARD ISLAND  
SELF-INSURANCE AND RISK MANAGEMENT FUND**

Statement of Cash Flow  
for the year ended March 31, 2024

	2024	2023
	\$	\$
<b>Cash provided (used) by:</b>		
<b>Operating Activities</b>		
Annual surplus	5,418,039	4,835,491
Changes in:		
Accounts receivable	(48,194)	(117,168)
Due from the Province of Prince Edward Island	(7,350,719)	(6,146,721)
Accounts payable and accrued liabilities	26,832	(10,509)
Excess insurer advance	813,508	233,586
Reserve for unsettled claims	1,102,932	1,213,206
Prepaid expenses	<u>37,602</u>	<u>(7,885)</u>
<b>Cash provided by operating activities</b>	<u>-</u>	<u>-</u>
Cash, beginning of year	<u>-</u>	<u>-</u>
<b>Cash, end of year</b>	<u><u>-</u></u>	<u><u>-</u></u>

(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, 2024

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## 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. Insurance premiums are recognized over the policy term as the performance obligations are met.

### 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, 2024

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**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>2024</u>	<u>2023</u>
	\$	\$
Recoveries	184,158	142,535
Other	<u>24,071</u>	<u>17,500</u>
	<u>208,229</u>	<u>160,035</u>

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**5. Due from the Province of Prince Edward Island**

The amount due from the Province of Prince Edward Island of \$44,202,129 (2023 - \$36,851,410) 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. An amount of \$175,000 was provided in previous years by the Province in lieu of interest. In fiscal 2024, no funds were provided. 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. The amount due from the Province of Prince Edward Island has no set repayment terms and is due on demand.

**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 \$7,346,898 (2023 - \$3,000,000) and as of March 31, 2024, a balance remains of \$1,047,094 (2023 - \$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>Total</u>
	\$	\$	\$	\$	\$
<b>Reserve, beginning of year</b>	<u>10,562,716</u>	<u>720,075</u>	<u>1,137,353</u>	<u>12,420,144</u>	<u>11,206,938</u>
<b>Changes in year:</b>					
Settlement costs paid	(333,549)	(600,976)	(114,718)	(1,049,243)	(931,048)
Professional fees paid	(740,554)	(40,689)	(27,225)	(808,468)	(477,145)
Increase in claims expense	<u>2,492,370</u>	<u>265,043</u>	<u>203,230</u>	<u>2,960,643</u>	<u>2,621,399</u>
Net change in reserve	<u>1,418,267</u>	<u>(376,622)</u>	<u>61,287</u>	<u>1,102,932</u>	<u>1,213,206</u>
<b>Reserve, end of year</b>	<u>11,980,983</u>	<u>343,453</u>	<u>1,198,640</u>	<u>13,523,076</u>	<u>12,420,144</u>



**PRINCE EDWARD ISLAND  
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**8. Insurance Premiums Revenue**

	<u>2024</u>	<u>2023</u>
	\$	\$
General liability, errors, and omissions	5,538,748	5,035,224
Primary property and crime	4,844,524	3,639,605
Automobile liability	1,547,140	1,413,501
General government	<u>140,000</u>	<u>140,000</u>
	<u>12,070,412</u>	<u>10,228,330</u>

**9. Claim Recoveries**

	<u>2024</u>	<u>2023</u>
	\$	\$
General liability, errors, and omissions	7,983	7,102
Change in estimated recoveries	<u>(2,833)</u>	<u>1,310</u>
	<u>5,150</u>	<u>8,412</u>
Primary property and crime	142,109	37,554
Change in estimated recoveries	<u>45,706</u>	<u>108,476</u>
	<u>187,815</u>	<u>146,030</u>
Automobile liability	22,320	29,789
Change in estimated recoveries	<u>(1,250)</u>	<u>3,400</u>
	<u>21,070</u>	<u>33,189</u>
	<u>214,035</u>	<u>187,631</u>

**10. Insurance Premiums Expense**

	<u>2024</u>	<u>2023</u>
	\$	\$
General liability, errors, and omissions	979,341	970,117
Primary property and crime	1,942,982	1,344,425
Automobile liability	<u>389,232</u>	<u>374,622</u>
	<u>3,311,555</u>	<u>2,689,164</u>

# PRINCE EDWARD ISLAND SELF-INSURANCE AND RISK MANAGEMENT FUND

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## 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.

### 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, 2024.

### 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 (Health)
Property	\$250,000	and	\$100,000 (Health PEI)
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	\$418,850,404 (Health Facilities)
Property	\$51,179,290		(PEILCC and PEICMC <sup>1</sup> )
Auto	\$19,000,000		

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<sup>1</sup> PEI Liquor Control Commission and PEI Cannabis Management Corporation

# PRINCE EDWARD ISLAND SELF-INSURANCE AND RISK MANAGEMENT FUND

Notes to Financial Statements  
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## 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.

### 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.



The Province of Prince Edward Island

Risk Management & Insurance

PO Box 2000, Charlottetown, PE C1A 7N8

Tel 902-368-6170

[PrinceEdwardIsland.ca](http://PrinceEdwardIsland.ca)