

**Re: Hospitality Insurance Program**

The Hospitality Insurance Program (HIP), and all its iterations, has been administered by Western Financial Group since 2004, when we first partnered with the Manitoba Hotel Association to provide Insurance coverage for Association members within the province under a Protected Self-Insurance (PSIP) Structure. Since then, the HIP has expanded through to each member association across Western Canada and Ontario to deliver an industry-leading and tailored program for hoteliers and beverage focused licensees. Our focus and commitment have continuously been to provide the best available insurance solution for association members through alternative risk-transfer models. This unique structure has provided program participants with partial ownership in their premium dollars, strength in numbers, along with in-house claims & risk management services. In addition, while under the PSIP structure (2004-2020) the HIP Program returned over \$2.6 million in returns of premium back to program participants; as this proven structure provides the opportunity to participate in surplus funds in positive policy years.

Hard market conditions in the insurance marketplace placed upward pressure on rates while reducing insurance capacity, coupled with the pandemic created a perfect storm which challenged the very survival of the HIP. In order to maintain a program for businesses aligned to the hospitality industry, a significant restructure of the Hospitality Insurance Program took place in December 2020 – transitioning to more of a traditional insurance portfolio program. We understand that these difficult changes fell short in many cases, as a result of market conditions and financial impacts of the pandemic. We take responsibility for this, and continue to work with our program participants to tailor coverage to their risk exposures and providing the best value for their insurance needs amidst these unprecedented times. Fortunately, the silver lining behind the program restructure is now we are back on stable ground, the HIP is performing well, and are in a better position to enhance the value and accessibility of the program to the hospitality industry.

We are pleased to announce that efforts are underway exploring options to transition the current HIP model back to the Protected Self Insurance (PSIP) Model with some enhancements and additional flexibility. It is important to recognize that this was made possible due to the current program achieving stronger performance in the past two years, with a reduction in the frequency and severity of claims. This has provided more opportunity to revisit the former PSIP Structure model, or additional alternate risk models that benefit program participants in achieving greater stability, accessibility, and overall value. We are actively working to obtain solutions for both the HIP BV and HIP Lodging programs to prospectively transition to an alternate and enhanced structure by December 1<sup>st</sup>, 2022. Western's thorough understanding of the hospitality industry and operational & administrative expertise, combined with extensive access to historical data, will result in a stronger and more resilient program.

As a reminder, there are key benefits to the HIP Program for participants, including:

**Benefits of the HIP Portfolio Program**

- Strength in numbers as members insure as a collective group
- Dedicated Service Specialists familiar with the Hospitality Industry
- Risk Management Experts who conduct specialized site surveys and recommend Loss Prevention initiatives
- In-house Claims Experts with authority to negotiate settlement of claims and assign industry experts

As we work to find the best possible solution for the program and it's participants moving forward, we will continue to prioritize providing information and communication through to program participants on our progress and solutions to improve the existing structure of the Hospitality Insurance Program.

We appreciate and value the trust and commitment all parties have shown the Hospitality Insurance Program through the years, and we remain focused to continue to provide the best solution for all program participants moving forward.

Sincerely,

**Grant Ostir**  
Chief Business Development Officer

