

EXPLORING AN INDIGENOUS OWNED INSURANCE MODEL

PROJECT VISION

1. Why are we doing this?

The mission of the First Nations Finance Authority (FNFA) is to help First Nations communities build their own futures on their own terms. The severe challenges within the global insurance market over the past few years have highlighted how underserved, siloed, and excluded the Indigenous community is by the insurance industry resulting in tremendous uncertainty and inequity. For instance, renewal terms often arrive only hours before coverage expires, frequently with reduced coverage and higher costs, and without any recourse or options for communities apart from accepting whatever final offer is put in front of them. Together, we can change the current state of the insurance industry and move toward a future model founded on an Indigenous worldview of collective responsibility, shared core values, and, ultimately, ownership for Indigenous communities.

The generational vision of this project is to empower Indigenous communities and organizations with trusted partnerships to own and manage a broad, innovative, and collective insurance and risk management program designed to protect investments and assets while enhancing the economic strength and well-being of Indigenous communities.

2. What are the potential benefits of a new approach to insurance?

The long-term generational benefits of a collective insurance model are:

- Expanding Indigenous economic growth and community wellbeing
- Ensuring equitable access to the insurance market
- Stabilizing insurance coverage and costs while building greater resiliency
- Sustaining risk management benefits over multiple generations
- Increased autonomy and ownership
- Access to capacity building tools and resources to increase or enhance community risk profile
- Generating new jobs and careers in the insurance and risk management sector for Indigenous people

3. What could this new approach look like?

In a collective insurance model, participating members collaborate to pool and manage their risk together. Many different collective insurance models could work for Indigenous communities. An insurance feasibility study will determine the optimal model for communities to collaborate and purchase insurance as a collective. Key features of the potential model include:

- Communities working together to increase leverage in the insurance industry
- Collaboration and shared best practices, greater economies of scale, and broader spread of risk
- Direct access to claims support, risk management, risk modelling / alternative risk transfer expertise
- Scalable model that is proven to work for communities and can evolve into a more robust and comprehensive mechanism over time
- Direct access to insurance market leading to broader coverage, improved pricing, and increased transparency and predictability
- Surplus underwriting profits relating to community owned assets or economic development projects and ventures returned to participating members.

4. What is the difference between this model and my current insurance program?

In a traditional insurance program, communities are faced with a siloed approach with each community purchasing all of its insurance individually and all underwriting profits are kept by the insurers. In this new model, participating members collaborate to pool a portion of their risk together, and then leverage that risk pool to secure better pricing, coverage, terms, and conditions from the traditional insurance market.

NEXT STEPS AND FEASIBILITY STUDY

5. What is the next step?

The next step is to conduct an insurance feasibility study to determine the model to best benefit communities and other opportunities for economic reconciliation.

6. What is the purpose of an insurance feasibility study?

The feasibility study will determine the best model for pooling resources and managing risks in a way that provides the greatest benefit to Indigenous communities.

7. What will the feasibility study involve?

The feasibility study will review historical claims, premiums, and loss exposures of participating communities and use financial modelling to identify the optimal structure to pool their risk.

8. Is participation in the feasibility study mandatory for FNFA members?

No, participation is always optional for FNFA members and non-members.

9. What coverage is the feasibility study looking at?

Initially, the study will focus on property insurance for community owned assets. The reason for this is that Indigenous community property coverage has been historically challenging to obtain through traditional risk transfer means. The intent is to scale the insurance model to include other coverages over time. This means there is a benefit to providing information on all lines of coverage. BFL CANADA is able to conduct a health check on other commercial lines of coverage if this information is provided.

10. Does participation in the feasibility study result in automatic participation in the model?

No. Participation in the model is optional. Participating in the feasibility study does not result in automatic inclusion in the decided model. The feasibility study is not intended to serve as an opinion but rather to generate discussion between the parties to render a decision on the optimal model upon completion.

11. What information would I need to provide to participate in the feasibility study?

The information required is similar to the information that would be provided by communities to secure traditional insurance renewal terms, including:

- Underwriting info (property values to insure, revenues to report etc.)
- Loss history
- Policy details (deductibles/limits)
- Insurance requirements (often contained in contracts, leases, or mortgages)
- Community overview

A template for requesting this information from your insurance provider as well as full details of what is required is available. Please reach out to us for next steps.

12. Who will see my information and what will it be used for?

Insurance professionals (brokers, underwriters, and actuaries) who are bound by confidentiality and Non-Disclosure Agreements will see your information. Your information will be used to determine the feasibility of a collective insurance model for Indigenous communities. It will not be resold or used for any other purpose other than this project.

13. How is my information protected?

Information collected is protected by Non-Disclosure Agreements signed by all parties and is used solely for the purpose of this project. We are committed to protecting the privacy and the confidentiality of all information that collected and maintained in the course of business activities.

14. How long will the study take?

The timeline for this study depends in part on how swiftly participants provide the information required for analysis. Once enough participants have provided information, the analysis itself will take up to six months to complete, after which we will present participants with the results so they may determine the best way to move forward.

FNFA AND BFL CANADA

15. Who is FNFA?

The FNFA is a statutory non-profit organization without share capital, operating under the authority of the First Nations Fiscal Management Act, 2005. FNFA's purposes are to provide First Nations governments investment options, capital planning advice, and perhaps most importantly, access to long-term loans with preferable interest rates.

FNFA's mission is to help First Nations communities build their own futures on their own terms, which we are expanding to the insurance industry. This project will provide Indigenous communities a greater voice in how they wish to insure their assets and economic development opportunities, which in turn will lead to the creation of new jobs in the insurance industry for Indigenous people.

16. Who is BFL CANADA?

BFL CANADA is an employee-owned insurance brokerage firm, with over 1000+ employees located in 23 offices across the country. BFL CANADA differentiates itself from other brokers through their corporate culture, the dedication of its people, and the genuine desire to find the optimal solution for their clients. BFL CANADA's specialties include natural resources, construction, transportation, hospitality and gaming, healthcare, employee benefits, and alternative risk transfer.

17. What is the relationship between the FNFA and BFL CANADA?

FNFA has engaged BFL CANADA in a strategic partnership for this project to conduct a feasibility study to explore a new and more sustainable approach to providing insurance to Indigenous communities. This partnership has been built from the ground up, with FNFA and BFL CANADA working together to define a shared vision and values focused on benefitting Indigenous communities within the insurance industry.

BFL CANADA supports the FNFA with niche expertise in areas related to the insurance industry such as insurance contracts, underwriting, risk control, claims management, and risk transfer within the scope of this project.

18. Does FNFA's partnership with BFL CANADA affect my ability to continue my relationship with my current insurance broker?

No. FNFA does not endorse any one company outside of the scope of this project. Indigenous communities will always have the decision making power.

19. Why is BFL CANADA participating in this project?

Through this initiative, BFL CANADA is committed to reconciliation by improving their education about Indigenous issues, demonstrating positive leadership, and promoting system equality. BFL CANADA will do this by continuing to build relationships with Indigenous partners and support structures, processes, and agreements between Indigenous peoples and the insurance industry centered on collaboration, core values alignment, and effectiveness in managing risk.

This is an opportunity for BFL CANADA to participate in the creation, design, and implementation of a unique and innovative insurance model designed to shift the ownership and responsibility of risk management decision making and insurance coverage to Indigenous communities.

20. Why support FNFA and BFL CANADA and not my existing broker?

FNFA is a First Nations led institution and has built an excellent reputation with First Nations communities as well as capital markets through our existing pooled lending model. Our intention is to ensure that our members come first and receive the best coverage at the best rates available. Utilizing a values-based approach, we are undertaking a project to benefit Indigenous communities on a scale that no other insurance company in Canada is doing.

21. Are the insurers BFL CANADA works with financially stable?

BFL CANADA works with financially stable insurers. The insurer rankings are monitored on an ongoing basis by BFL CANADA's Market Surveillance Committee. BFL CANADA relies on independent, third party rating agencies such as AM Best, S&P and Moody's for the monitoring of insurance company financial stability. As a general rule, BFL CANADA seeks out partnerships with insurers who have a minimum AM Best rating of A- (or equivalent).

22. Do participating communities lose options or bargaining power by working with one brokerage (BFL CANADA) rather than working with several brokerages?

In the current state of the market, a specific insurance program for Indigenous communities is exclusive to an insurance broker, so pitting multiple brokers against each other can represent a competitive advantage for communities. However, this assumes the status quo or siloed model, where each community vies for its own interests individually within the larger insurance market, remains in place.

This project is disruptive by nature, and seeks to break apart that siloed model by pooling communities together to increase the communities' collective buying power, autonomy, and leverage within the insurance market. This approach requires a broker working in true partnership with participating communities and representing the communities as a whole to the insurance market.

BFL CANADA is working in partnership with the FNFA to create a non-traditional approach by assisting the FNFA to establish a collective model (similar to the borrowing pool for lending). This collective model is intended to disrupt the current, traditional market approach by leveraging the combined strengths (bargaining power) of Indigenous communities to open up more options for participating communities in the insurance market. At the direction of the participating communities, BFL CANADA will leverage the collective model to create competitive pricing and coverage opportunities in the insurance market.

The ultimate goal for this project is that the participating Indigenous communities own and manage the collective model, creating the first Indigenous-owned insurance model in Canada.

BFL CANADA does not currently have an exclusive insurance program for Indigenous communities, and is not tied to any specific Insurers for this project. BFL CANADA will recommend Insurer partners that best benefit the communities.

KEY TERMS

Risk:	The possibility of loss or injury.
Feasibility study:	Assessment of the viability of a potential model and the inputs required in order for the model to succeed.
Feasibility study:	The amount of profit in excess of the premium required to insure the risk year over year.
Risk control:	Steps taken to prevent or reduce the possibility of loss or injury.
Risk transfer:	A risk management and control strategy that involves the transfer of risk from one party to another based on agreed upon terms and conditions. There are traditional and alternative risk transfer methods. For example, when purchasing building insurance the insurer agrees to compensate the policyholder up to a certain amount for a specified loss or losses in exchange for payment.
Underwriting:	The analysis of risk by which insurers determine the likelihood and severity of loss or injury, which then inform the terms and conditions for risk transfer.
Fronting:	The use of a licensed, admitted insurer to issue an insurance policy on behalf of a self-insured organization (ie, a pooled collective of Communities) without the intention of transferring any of the risk. The risk of loss is retained by the self-insured collective, while the policy is 'fronted' by the licensed Insurer. This allows collectives or entities to self-insure risk, establish captives, and engage other alternative risk transfer models.