



\$300,000 Return of Premium Planned

Alberta Hotel & Lodging Association is pleased to announce that a \$300,000 return of premium to members is expected to be distributed at the upcoming AHLA Convention & Trade Show in April 2011. In order to qualify for this return, members must have been insured with the prior AHLA Insurance Program (Dec. 1, 2005 – Nov. 30, 2008) and must also be insured with the current Hospitality Insurance Program.

“Protected Self-insurance” (PSIP) vs. Traditional Insurance.

If this were a traditional program, all participants' premiums would stay with the insurer that would be responsible for paying all the claims. The insurer would also get to keep all of the leftover premiums, no matter how low claims were during the years. Under the PSIP model, when claims are low there is an opportunity for a return of premium.

The program had 2 fantastic years. The AHLA Program experienced low claims in Year 1 (Dec. 2005 to Nov. 2006) and Year 3 (Dec. 2007 to Nov. 2008). Together, these years generated member-owned surplus funds in excess of \$1.7 million. The preventative measures that Alberta properties took to prevent accidents and claims helped, as did plain old luck. To date, \$622,620 of surplus funds have been returned to members.

Why is additional premium being returned now?

On December 1 2008, the AHLA Program was converted to the Hospitality Insurance Program (HIP) which involves a partnership with the British Columbia Hotel Association (BCHA), Saskatchewan Hotel & Hospitality Association (SHHA), Manitoba Hotel Association (MHA) and the Ontario Restaurant Hotel & Motel Association (ORHMA). With the implementation of the HIP, AHLA members are now eligible to receive a further portion of the previously established AHLA reserve fund. Subsequent to the return, approximately \$350,000 of additional funds will remain for future distribution.

Calculation of returns of premium. The calculation of returns of premium is fairly simple:

The total of all continuous program premium paid in the 3 years of the AHLA Insurance Program (Dec. 1, 2005 to Nov. 30, 2008) by members currently on the Hospitality Insurance Program was \$13,586,830.

The amount that can be returned now is \$300,000, or 2.21% of premiums paid during the 3-year period.

For every \$1,000 in premiums paid by current participants over the 3-year period, \$22.08 will be returned.

The exceptions relate to membership: in the case where the insured property is not an Alberta Hotel & Lodging Association member in good standing or an insurance program client in good standing, it is not eligible to receive the return of premium.

Premium returns are paid to the current policyholder.

Your policy states that returns of premium are paid to properties that are policyholders at the date of the return of premium. That means if the property has been sold, the return of premium is issued to a different company than the company that paid the premiums. By issuing returns of premiums to the current policyholders (rather than former owners), we can lower the total insurance cost for member hotels, which is why the program was established.

Date of return of premium. Cheques will be distributed on April 17, 2011. Members who are unable to pick up their cheques at the AHLA Convention & Trade Show will receive their cheques in the mail.

Future Returns: Additional amounts will be returned in future to then-qualifying properties based on an actuarial schedule that adequately provides for “adverse loss development” (known claims ending up costing more than currently reserved), and for “incurred-but-not-reported claims” relating to years for which returns apply.

Questions? For premium return questions, please call Dave Kaiser at the AHLA office at (780) 436-6112. For insurance-specific questions, please call Steven Kotchorek (ext. 7310) or Patrick Lien (ext. 7202) at Group Insurance Solutions at (800) 665-8990.