



12/10/2020

Board Meeting

Minutes of December 10, 2020

ATENDING DIRECTORS:

Allan Sheppard, Chair
Dave Rutherford, Vice-Chair
Nancy Brown, 2nd Vice-Chair
Bruce Buttar, Past Chair
Van Darling, Director
Bill Dorland, Director
Bob Burley, Director
Richard Barrett, Director
John Kernaghan, Director

ATENDING STAFF:

Alec Harmer, President

Barb Dinnage, Ashley Kamphorst
ACTING CORPORATE SECRETARY

MISSION

“To protect our future as if it’s our own”

VISION

“Our family striving to provide you with peace of mind by protecting your tomorrows today”

Opening of the Meeting

Allan Sheppard, Chair, brought to virtual board meeting to order at 9:00 a.m.

He welcomed all the attendees to another virtual board meeting. He thanked Bruce Buttar for arranging donations of beef to food banks, as well as extended thanks to the staff for their work and hopes to return to normalcy soon. He stressed the importance of positivity at this time.

He asked if there was any conflict of interest. There was none.

Allan read the Mission and Vision statements, shown above.

Agenda and Consent Agenda Documents

The chair asked if there were any changes or additions to the agenda.

MOTION: *“To approve the agenda as distributed with the additions.”*

Carried

The following items formed the consent agenda:

- OMIA Board Report
- OMIA Support Letter Bill 118
- HTM Early Warning Tests
- FRC Report to September 30, 2020
- Minutes of the November board meeting
- Minutes of the Special Board Meeting November 19, 2019
- Minutes of the Executive Meeting November 27, 2020
- Investments
- Management Reports

Alec outlined the consent agenda documents. He commented that Bill 118 is a great bill that will go through, adding that it will provide insurance companies with quicker notice of claims as well as reduce premiums. He mentioned Early Warning Tests. As well, he advised that Collectivfide

is looking for further funds to purchase more brokerages. Alec observes that he thought they should have waited and wouldn't suggest investing anything further at this time, but perhaps down the road once there are more financial results. He asked if there were any questions about the agenda documents.

Bruce asked how many brokerages Collectivfide has purchased so far. Alec advised they have purchased two and are working on a third.

Van asked if there's any information about the profitability of these three investments. Alec said results are probably not enough to give a clear picture.

Allan asked if there were any more questions.

Bill asked about loss from the windstorm in November, and how much of the claims does the company retain. Alec said the company gets back 100% of every dollar over the 1,575,000 dollars of loss retention.

Bruce asked if there were any major claims that resulted from the windstorm. Alec said there were a couple significant six figure claims.

MOTION: *"To accept the consent agenda items as distributed"*

Carried

President's Report

Alec provided an update on the pandemic. He observed that numbers are increasing and that our region has gone from green to yellow. He advised that masks are required of staff whenever they get up from their desks and there are temperature devices at each door. Staff are still required to fill out a symptom questionnaire every morning before entering the building. Alec said they are working to schedule staff to keep density at appropriate levels. Alec commented on discussions regarding the vaccine coming out. Alec asked if there were any questions or concerns, or ideas for how to keep staff protected. He added that the heating units have filters in them that capture particles and help to keep the air clean.

Allan asked how the staff feel about and cope with these procedures. Alec said the staff members who come in regularly are comfortable with the office environment. He thinks they enjoy having interaction. The ones who stay at home feel safer there, but miss the human interaction. He said the Christmas dinner and seeing each other on Zoom will help boost morale.

Nancy said if someone from the public comes inside the building, there should be procedures for that visitor. Alec said there are protocols for people who come in, but acknowledged they need to be written down. Nancy said she would sent a Health Unit template for writing the procedures to Alec.

Alec went through the financial reports up until October 30, 2020.

The highlights are:

New policy count for November is down 10.7%

New policy count to November 30, 2020 is down 22.1%

Premiums for November: \$3,046,467 (up 7.0% from November 2019)

Premiums Written to November 30, 2020: %\$31,603,517 (up 8.2% from last year)

New claims count is down 61.9%

Claims incurred: \$3,562,885

Loss Ratio: Automobile line has dipped in current term the most, while residential jumped up due to the windstorm.

Alec outlined the Balance Sheet, noting that assets are up ten million dollars from last year, liability accounts are up \$400,000, and provision for unpaid claims is up a million dollars. Surplus is up six million dollars (20%) from last year.

There was concern among the Board about that much cash sitting there, instead of being invested. Alec advised that he is working with TD Bank. Alec added that the cash will be used partly for paying claims, as well as a potential refund to policyholders. He acknowledged the need to get several million dollars into investments.

Van asked about HTM's registered name. Alec said there are two names: the legal/corporate name and the branding name. The Insurance Act stipulates that we need our corporate name on everything that is sent out. He expressed concerns about someone else taking HTM's name and logo.

Nancy asked about the Corporations and Insurance Acts, acknowledging that some of the regulations are easily forgotten about. She asked if a checklist for fulfilling these regulations would be useful. Alec said the Insurance Act is huge and there are a number of check points in place already, and outlined updates they've made already. Nancy said OMIA likely helps to stay on top of these things.

Allan asked if there were any more questions.

Alec went over Income Statements. There was a 12.9% growth in net underwriting revenue from last year. Service charges are up this year. Claims expenses are down 29.9% from last year. There was an underwriting gain of \$3,526,387 compared to a loss of \$2,918,887 for the prior period. Alec then went over the November 2020 Estimate, noting that premium volume is up 8.3%, underwriting profit (loss) is down \$1.7 million from October, net profit (loss) is down \$600,000 from October. The surplus is \$36,700,000 this year, from \$31,932,597.

The President's Report concluded at 9:40 am.

MOTION: *"To accept the financial report as distributed"*

Carried

2020 Strategic Plan

Alec outlined projects that were undertaken in 2020. He commented on governance and succession and pointed out the good conversation around barriers and diversity on the board.

Van asked if the group that participated in a recent diversity webinar should have a conversation about those points that were brought up, and when that should happen. Allan suggested the January Board meeting. Bill, Dave, and Nancy provided input on the diversity webinar, with Nancy suggesting the Committee get together first and then present to the board. Dave and Bill agreed.

Bruce asked what the process is for identifying a candidate. Nancy said they haven't decided yet, but Alec suggested the person be given an introductory package.

Alec outlined the recent refresh of mission and vision statements, the Broker Score (which Christine has completed and will be implemented in 2021), the migration to the Cognition system, the Rate Adequacy Project (noted 1000 different valuations have been done as renewals come up), Staff Succession, and our license for providing accident insurance on commercial policies has been approved.

Alec outline other projects in the works, including the Pearson project, the new budget, a mobile workforce, the hiring of an IT person, a virtual inspection program, and other virtual capabilities (including for board/staff meetings, Group E meetings, and training).

Dave asked if introductory information about new hires could be sent out so familiarity can be established.

Nancy commented regarding succession planning that other conversations and documents that were created were worth noting.

Van discussed if the new HTM building is needed going forward, with most staff being mobile. Alec commented that as the company grows, they may not need to make any changes to the office if some staff worked from home.

A five-minute break began at 10:01 am.

The meeting was called back to order at 10:07 am.

Investment Review

Tommy and Ed joined the meeting at this juncture to present to the board their perspective on HTM's investments. Tommy outlined Asset Allocation and Market Values, commenting that it

has been a bad year but HTM has had solid investments and are doing quite well. He outlined how HTM's investments have been performing in fixed income, Canadian equities, and US Equity, discussing that stock selection has mostly influenced these returns. Ed added that these will start to show their worth going into next year, and expects fixed income performance to boost over the next couple years, and will drive overall performance of the portfolio. Tommy also noted that international equities have done well as a swap for Canadian equities.

Bob asked Ed and Tommy how they would invest additional funds we sent to them. Ed said it would go into the investment "pool" and be invested according to our investment portfolio. He noted that things will get better as the economy opens up again.

Van asked if the invested cash would be easily accessible, and Tommy advised it would be and with no cost to HTM.

Tommy outlined investment themes in Canada, US, and globally. In the US, there has been a fall in consumer confidence, driven by fear of a second wave of the virus as well as election results.

Ed commented that the good news of a vaccine has helped revive the market, with several stocks beginning to rally due to this vaccine enthusiasm. International stocks especially have outperformed in their rally, while Canadian and US stocks have lagged. He noted that large-cap growth stocks have been dominating the market, but this is starting to shift toward smaller companies, who have started to outperform. They are seeing a more balanced trajectory to the market. Things are looking more optimistic going into 2021, performing better on a relative basis while being diversified. There was a discussion that the vaccine has largely been responsible, more so than the American election, for driving the optimism. For markets, there is the expectation that things will get better going into the future. Markets are looking further into the future than just early 2021.

Allan asked if there were any more questions. He said they've been very pleased with what Tommy and Ed have done for them, and happy holidays were exchanged.

At 10:56 am, another five minute break began before Alec's performance review.

Performance Review

Meghan from Kirwin and Associates was invited to the meeting.

Alec reviewed the three most significant company goals that he will lead in 2021: These were:

1. Upgrading the system to Cognition+ in all lines of underwriting and claims
2. Creating a governance calendar for the board
3. The acquisition of Pearson Insurance

Meghan reviewed the CEO performance process with the board. Alec then went through his three top strengths that were identified and three areas where improvement was needed and what actions he would take during 2021.

Pearson Project

The meeting was called back to order after Alec's review at 11:55 am.

Alec outlined the last five years plus the first 8 months of 2020 in Pearson Insurance's financials, outlining premiums earned and written, expenses, commissions, claims, and salaries. He went over what direction commissions would be based on their portfolio, and what money would be invested in things such as office equipment. He stressed that these are hypothetical numbers, but are not far off from what they would be.

The next steps include talking with Tim about the plans, which are larger and more complex than they were for the Gunter acquisition. This should include a committee of three directors and an auditor to outline the different accounting and offer.

Motion: "That the Pearson purchase be approved as per the business plan presented at the November board meeting."

Mover: Bruce

Secunder: Richard

Carried.

Discussion:

Van asked how to make the acquisition more profitable, and how profitability impacts purchase price. Alec said the purchase price depends on the retention of business. He notes that there is still time to come up with the purchase price after a portfolio review done by Warren, over the next few months. Van adds they need to look at market price as well, and asks what portion of the business we don't want to retain. Alec said that portion would be small, and retention will probably be around 85-90%.

John asked if Tim is keeping on until 2022. Alec said Tim is still open to discussion for next year.

Van asked if there is a negative to having Tim in a transitional role. Alec said it is actually a benefit; having an overlap will help with business retention.

Alec remarked that Tim has been moving policies from L&A Insurance to HTM at the same rates, so this should be a problem. This is not settled as yet. Pearson and L & A didn't have a contract in place. L & A feels they own the business. Possibly this will need to be bought, or L & A will retain. It is a small portfolio. (\$200,000 estimated) Our preference is for Tim to resolve this before we begin to negotiate.

Alec remarked that the Pearson project is a big opportunity and will put HTM in line for what it wants to accomplish in the next few years.

Bruce added that it's an opportunity we need to take if we don't want to lose out to another company and expressed his support for the purchase.

Allan called for a vote, and all directors voted in favour of the purchase.

Motion Carried.

Other Business

Alec will develop numbers for a potential refund to policyholders, which will be discussed at the January board meeting. The numbers will depend on underwriting profit. He added that it would be a good gesture to the policyholders.

Bruce commented on the importance of policyholders' perspectives at this challenging time.

Van commented that the board's first responsibility should be to the company and the bottom line. He expressed worry about the effect of giving up a large quantity of money, in addition to purchasing Pearson Insurance. There was a discussion of how said refunds would be recorded, in which tax year.

Adjournment of the meeting

The meeting adjourned at 12:27 pm. An in-camera session followed.

MOTION: *"To declare the meeting adjourned"*

Carried

Date

Allan Sheppard, Chair

Barb Dinnage, Secretary