

FIRE MUTUALS GUARANTEE FUND UPDATE – JANUARY 2021

Trustees: Neil Petreny (Dumfries), Brian Downie (West Elgin), Sharon Hollister (Germania), Glenn Taylor (Halwell), Jodi Rich (Howard)

Secretary: John Taylor (OMIA)

The following is a summary of the January 18, 2021 meeting of the Fire Mutuals Guarantee Fund Trustees, held by Zoom.

1. FUND VALUE

Sharp Asset Management provided a written report on the position of the fund as at December 31, 2020:

		<i>% of Total</i>
Cash and Equivalents	\$59,273.13	2.91%
Canadian Bonds	\$1,975,995.35	97.09%
TOTAL	<u>\$2,035,268.48</u>	
Accrued Interest	\$11,011.07	
TOTAL ASSETS (including accrued interest)	<u><u>\$2,046,279.55</u></u>	

The investments comply with the Fund’s Statement of Investment Policy. Permitted exceptions, if any, are subject to review and approval by the trustees on a quarterly basis.

Q4 returns for the fund were .47% versus the benchmark .45%. The one-year return for the fund was 5.64% leading the benchmark of 5.06%. The year’s positive performance was attributed to longer than average duration and a bias towards corporate bonds. All returns are net of fees.

The four-year return on the fund is 2.85% versus a benchmark of 2.50%. The fund has returned 4.3% since inception.

The trustees also completed the annual review of the Investment Manager, the Custodian, and the Investment Policy Statement and Investment Mandate.

2. ANNUAL GENERAL MEETING

Notice of the Fire Mutuals Guarantee Fund's Annual General Meeting will go to member companies in early February. The meeting will take place during the morning of Thursday, March 25 and will be held in a virtual format.

The term of trustee Jodi Rich will expire at the Annual General Meeting. Jodi was first elected as trustee in March 2019 and is eligible to stand for re-election. She has indicated she will do so.

The term of trustee Neil Petreny will also expire at the Annual General Meeting. Neil was first elected as trustee in March 2015 and is eligible to stand for re-election, however he has indicated he will not do so.

Formal details on the nomination process will be provided with the AGM Meeting notice.

3. PROPOSED AMENDMENT TO THE FIRE MUTUALS GUARANTEE FUND AGREEMENT

The Fire Mutuals Guarantee Fund Agreement provides for funds to be held in trust up to a limit of \$2,000,000. After many years of conservative investment growth, the fund has now slightly surpassed that limit.

In the interests of maintaining the Fund and adding to its balance over time, the trustees are recommending that the Agreement be amended to allow the Fund to grow to \$3,000,000 organically through net investment growth over the coming years. The AGM Meeting Notice will include a proposed resolution to amend the Agreement.

4. LOOKING AHEAD AT 2021

2020 was a most unusual year due to the social and economic impacts of COVID-19 and the rapid adaptations required. In 2020, we experienced an increased focus on solvency protection by our regulator, FSRA.

The Financial Review Committee (FRC) worked proactively to develop protocols with FSRA that made sense for mutuals and their policyholders. The results of some of that work can be seen in some of the following initiatives:

- Creating a quarterly business plan template that scales more readily to mutual needs;
- Vetting and testing MCT calculation changes and impact;
- Working with OMIA's Accounting Advisory Committee to monitor and provide input to the IFRS-17 conversion project and help create useful mutual guidance and approaches to conversion;
- Analyzing questions on potential solvency impacts of legal issues like Tomec vs. Economical;

This work will continue in 2021. There will also be significant effort on continued orientation to FSRA, assessing cyber risk, and monitoring and adapting ERM and ORSA processes in a practical environment.

In 2021 the FMGF will be recruiting for a new member of the FRC as Joanne Vasevenant will be retiring from her role during the upcoming year. Formal recruitment details will be provided, but should you identify suitable candidates from your networks we will welcome their applications.

As provincially chartered insurers, we operate in a unique regulatory environment and the challenges of 2020 illustrated the strength of the mutual guarantee system and the benefits of the investments made in self-monitoring and oversight by FMGF members.

A formal report on FMGF activities will be provided by Chair Neil Petreny at the March AGM.

5. SOLVENCY PROTECTION ISSUES

There are currently no solvency protection threats to the fund.