

# The Farm Mutual RePort



May 2021

## Message from the Board Chair



As we all look forward to enjoying that special time of year – the Stanley Cup playoffs – it is my pleasure to provide my initial report to you as the Chair of the Board of your reinsurance partner. April is traditionally a hectic month for the Board of Farm Mutual Re and this past month was no exception.

In late April, the Board and senior management engaged in a full-day virtual strategic planning session. Management presented a few discussion topics which formed the impetus for the wide-ranging debate that followed. The results of the session are currently being synthesized and more information about the company’s direction and how it will align with the interests of you, our members, will be reported in these pages in the coming months.

Also, in late April, the Board and senior management dedicated a separate day to professional development and participated in two virtual education sessions. In anticipation of the creation of our soon-to-be established Risk Committee, the first session dealt with emerging trends and best practices in risk oversight. Rather than a purely cyclical risk analysis process, the company anticipates moving to more of an on-going risk oversight protocol.

The second session dealt with the increasing significance of ESG (Environmental, Social, Governance) considerations, not only within our own organization but also with respect to the organizations with whom we choose to do business and companies we invest in. It was encouraging to hear that our investment managers have this issue clearly within their sights and, given their scale, are able to engage with and positively influence the management teams of numerous publicly traded companies.

On a more personal note, I had the privilege of virtually attending the annual Swiss Re breakfast in late March. It was enlightening to hear from some deep thinkers on emerging trends and future challenges, but I have to admit that distinguishing between “known unknowns” and “unknown unknowns” takes a bit of mental gymnastics.

In closing, as the pandemic continues to rule our lives, I encourage you to take care of yourself and, if you can, to take care of someone else too.

**Paul Vandebosch**

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## Message from the CEO



In the blink of an eye, the first quarter of 2021 came and went. That is usually how it is, right? Financial statement preparation, performance reviews, goals for the upcoming year, Annual Meeting of Members and Board changes. Our 2nd quarter is starting with another lockdown, but, at least, we are starting

to see a speck of light at the end of the COVID-19 tunnel. The speed of vaccination has accelerated, and it seems that Ontarians and Canadians are eager to get the jab. I received my first shot of Astra Zeneca in the middle of April, and while the next 24 hours were difficult, it is a small price to pay to keep myself and the people around me safe.

As I mentioned at the Annual Meeting of Members, our management team and the board will be spending time on strategy and risk over the next few months and the focus is twofold. One topic is amalgamation of members and the risks and opportunities they present for Farm Mutual. The other, which is in part a response to amalgamation is the growth and management of what we call our broker segment. We are in the early days of these conversations and it great to see the

many different perspectives on these two meaningful topics. We are looking forward to sharing our thoughts with you later in the year.

**Another one of my personal focuses this year has been to connect with our members' CEOs to continue to build those strong relationships. These chats have been constructive and insightful.** There are still operational issues that need to be fixed and some of you have taken the opportunity to provide more details, which has been welcomed. I also had the pleasure of meeting with the Board and management of a member company to exchange ideas on a number of strategic topics, important for the mutual community and therefore for Farm Mutual Re. It was an excellent format to clarify positions, perspectives and opinions. I am positive that all parties involved came out with the real appreciation for the openness and frank discussion. With that in mind, I invite all of you to consider setting up time for me or the management team of Farm Mutual Re to meet with your Boards. By continuing to build the trust and understanding between our organization and yours, we reinforce our ties so we can all stand stronger together. I look forward to hearing from you.

Let's look forward to a time where we can gather and meet again.

**JP Gagnon**

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## Recognized as Green Employer



Farm Mutual Re celebrates news of its award which recognizes our dedication to minimizing our carbon footprint.

Through our employee-managed vegetable garden we donate many pounds of produce to the Cambridge Self-Help Food Bank. Our honeybee hives have started to produce honey and our electric vehicle charging stations were getting regular use pre-pandemic.

We look forward to being back to our LEED® GOLD Certified office premises where we can be together and enjoy our green environment.

## Financial Information

### Underwriting Experience

We are seeing improvements in our underwriting experience compared to the prior comparable period. All major product lines are at or near the break-even point, other than member property per risk, where we experienced elevated new current year claims activity to the end of the first quarter.

### Key Financial Measures

The table below provides key financial measures for the first quarter of 2021.

(In thousands of Canadian dollars unless otherwise stated)	2021 Mar 31	2020 Mar 31
Net premiums earned	51,559	45,113
Investment income (loss)	2,618	(16,393)
Underwriting loss	(4,983)	(11,890)
Net loss	(1,508)	(20,617)
Combined ratio	110%	126%
Minimum capital test (MCT) ratio	415%	439%

### Net Income

Offsetting the underwriting loss is investment income of \$2.6 million as well as foreign exchange gains and taxes of \$0.9 million resulting in a net loss for the quarter of \$1.5 million. The steepening of the yield curve and inflation anticipation contributed to lower investment income.

## Innovation Lab MVP Summit Summary

On April 23, the Mutual FIELD Lab team hosted the Innovation Lab Minimal Viable Product (MVP) Summit. This Summit focused on sharing the Mutual FIELD Lab's Q1/21 outcomes, following member support to build and launch an MVP.

To kick off the Summit, the Mutual FIELD Lab team highlighted the Innovation process they used. This process included identifying a problem space — where the 'customer' need resides — and potential solutions. It was through this process that a strong problem statement was identified: The Mutual community does not have a deliberate and shared process to execute Innovation initiatives. This application of an Innovation process led the Mutual FIELD Lab team to build and launch their MVP — the [Mutual FIELD Lab](#) website!

As part of the MVP process, participating members had the opportunity to test the website prior to the Summit. The website included an overview of the Mutual FIELD Lab's top six Innovation ideas and encouraged participating members to use the website

to vote for their top Innovation idea. **Nine of 15 participating members voted for the Smart Home Idea! In partnership with participating members, Smart Homes will be the Mutual FIELD Lab's first experiment in Q2/21.**

The Summit concluded with space for Member companies to table their perspectives and provide constructive feedback, enabling value creation as the Mutual FIELD Lab moves forward.

**Congratulations to the team — Stephen Matusiak, Halwell Mutual, and Julian Ghoulou, HTC Mutual, for their achievement in completing an MVP and carving an iterative Innovation path for the Mutual community!** A special shoutout to Christine Ziembicki, Edge Mutual, and Josh Boyer, Grenville Mutual, for their contributions to the Mutual FIELD Lab as they move on to their respective endeavours. The success of this initiative could not have been possible without their dedication and support.

## Message from the new AVP, Innovation



I would like to extend a friendly hello to the member community as I start my journey at Farm Mutual Re! While I am only a few weeks into my role, I'm already feeling embraced and welcomed.

I will report to Jeff Consitt, SVP and Chief Operating Officer, as we work together to lead Innovation. **My focus will be to lead our Innovation Centre of Excellence (ICE). The ICE team will seek to educate and empower Farm Mutual Re as we partner to execute on Innovation imperatives that will help to solve some of our most challenging problems. I will also engage and collaborate with all of you as we look to advance and scale member-driven Innovation initiatives via the recently launched Mutual FIELD Lab!**

I have spent most of my 15-year-career in Banking — from Equity Capital Markets, to Private Banking, to Retail Banking and, most recently, Innovation. I spent the last six-and-a-half years at Scotiabank where I

served as Chief of Staff to the Executive Vice President of Retail Products. Most recently, I was the Director, Innovation & Scotiabank FactoryU, where I built, managed, and led Scotiabank's innovation hub in Waterloo, Ontario.

I've served on the Board of The New Quarterly, volunteered with Enactus Canada and Ladies Learning Code, and I'm an active member of the local theatre community. I graduated from the University of Waterloo with a Bachelor of Arts in English Language and Literature.

My home base is in Kitchener with my husband, Brandon. We have two fur babies, our cats, Lola and Apollo. I'm a trained competitive figure skater, and a lover of all things art, dance, and film. I also love swimming, reading, and spending time with my two nephews and two nieces.

I'm really looking forward to getting to know the member community and working with you over the coming months! I'm more than happy to have a virtual chat any time, and would appreciate the opportunity to connect one-to-one; please feel free to connect with me any time at [akerswill@farmmutualre.com](mailto:akerswill@farmmutualre.com).

Andrea Kerswill

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## FARM MUTUAL FOUNDATION **Update**

### Scholarship Application Ready!

The Farm Mutual Foundation Committee is pleased to announce that the 2021/2022 scholarship application and assignment are now available for [download here](#) on the Farm Mutual Re website. Please take a moment to watch the accompanying video for some inspiration.

### Great Auction Results!

The Committee would also like to announce that over \$13,000 was raised from the online auction and donations from our members and business partners. Thank you to all who supported the auction with donations and bids.