

**FIRE MUTUALS GUARANTEE FUND UPDATE – APRIL 2021**

Trustees:      Brian Downie (West Elgin), Sharon Hollister (Germania), Glenn Taylor (Halwell),  
                     Jodi Rich (Howard), Ross Lamont (Trillium)

Secretary:     John Taylor (OMIA)

The following is a summary of the April 9, 2021 meeting of the Fire Mutuals Guarantee Fund Trustees, held by videoconference.

1.      FUND VALUE

Sharp Asset Management provided a written report on the position of the fund as of March 31, 2021:

		<i>% of Total</i>
Cash and Equivalents	\$32,581.19	1.62%
Canadian Bonds	<u>\$1,979,157.40</u>	98.38%
TOTAL	<u>\$2,011,738.59</u>	
Accrued Interest	<u>\$15,737.73</u>	
TOTAL ASSETS (including accrued interest)	<u><u>\$2,027,476.32</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.

Q1 returns for the fund were -0.69% versus the benchmark of -0.55%. Q1 performance was adversely affected by the rising yield environment.

The return on a one-year basis is 3.81% versus the benchmark of 2.65%. The four-year return on the fund is 2.45% versus the benchmark of 2.20%.

Annualized compounded rate of return since inception (September 1997) is 4.21%.

With upward pressure on yields expected to continue we anticipate moving to shorter duration bonds as current bonds mature.

## 2. ELECTION OF CHAIR AND VICE CHAIR

Brian Downie was elected to his first one-year term as Chair. Sharon Hollister was elected to her first one-year term as Vice Chair.

## 3. TRI-ENNIAL BALANCING

The Fire Mutuals Guarantee Fund Trust is rebalanced every three years and the respective trust balance for each of the guarantee fund mutuals is adjusted to reflect the overall pro-rata share of premiums written. Depending on the overall growth of the aggregate written premium versus an individual mutual's written premium this rebalancing may result in a payment from the trust to the mutual or a request for additional funds from the mutual into the trust. The rebalancing does not affect the aggregate balance in the trust; it simply redistributes the individual balances within it.

As trustee and custodian TD Canada Trust undertake the rebalancing and will be doing so just ahead of midyear. Companies can expect updated information as to their new balance in May or June.

Any questions on the triennial rebalancing process can be directed to John Taylor at OMIA.

## 4. FIRE MUTUALS GUARANTEE FUND AGREEMENT AMENDMENT

At the Annual General Meeting members voted in support of amending the Agreement to allow the balance in the trust to rise through organic growth to \$3 million.

As a next step trustees will be writing to FSRA to advise them of the requested change to the Agreement and asking for the endorsement of the CEO of FSRA. This is the change process as set out in the Guarantee Fund Agreement.

## 5. ONGOING PROJECTS

The trustees work closely with the Financial Review Committee in monitoring the solvency environment and addressing any requests that may come from FSRA for changes to reporting or the overall examination processes.

As was noted at the Annual General Meeting, several projects are underway and relate to regulatory expectations on solvency and financial reporting. As an example, the increased level of the year-end reporting required for the 2020 year-end was as a result of increased regulatory expectations. The trustees and Financial Review Committee are appreciative of the extra effort and learning curve involved at the mutual level to accommodate this reporting and are open to feedback on year-end processes and reporting. They will gather some of this from the upcoming Accountants Roundtable.

## 6. SOLVENCY PROTECTION ISSUES

As reported at the Annual General Meeting, no mutual poses a solvency threat to the Guarantee Fund.