

Company 789

A New Direction



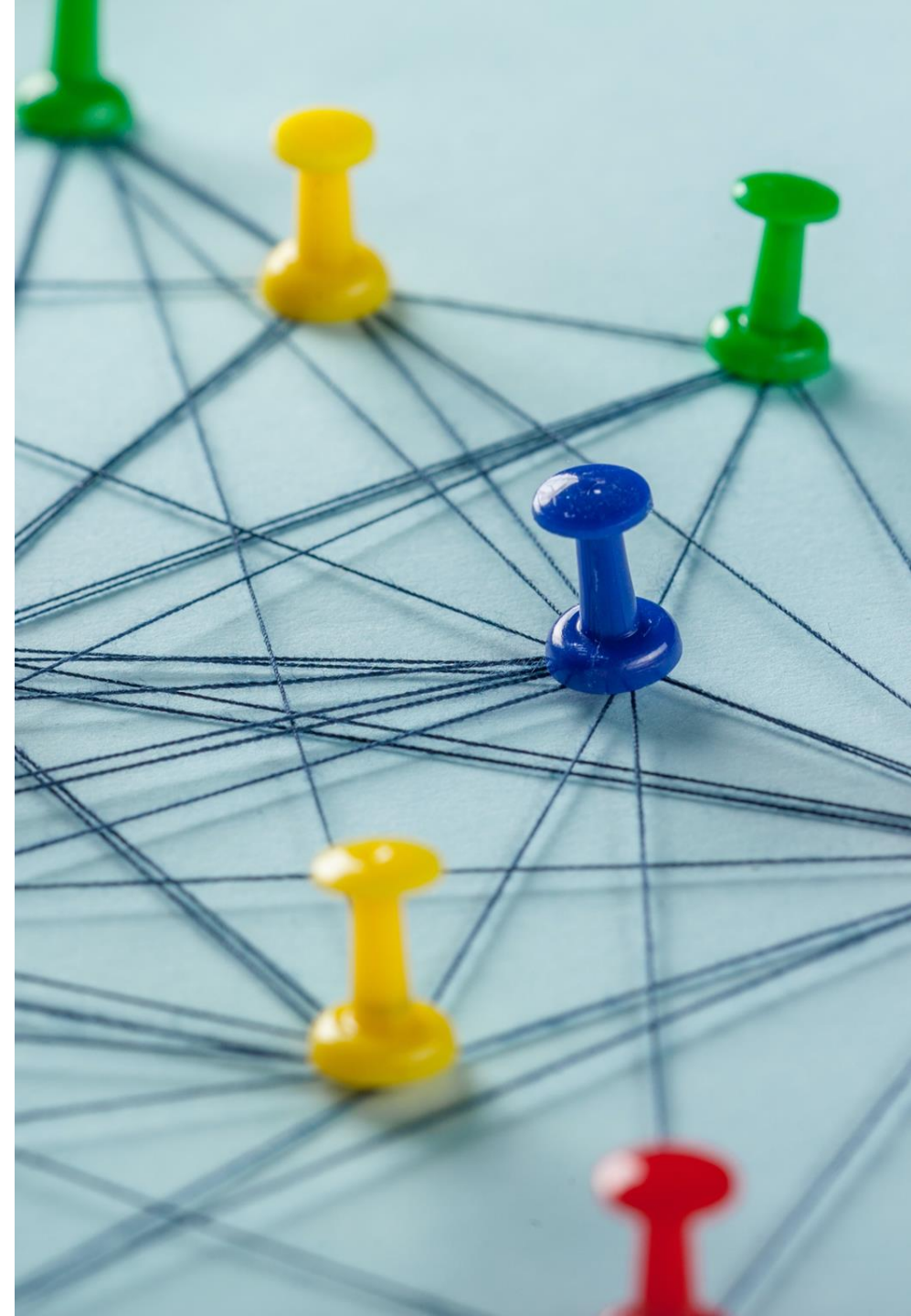
Issues

- \$250M company run by a part-time committee
- Committee does not have expertise, in depth technical knowledge or time
- No full-time dedicated staff
 - Rely on agency agreement with Farm Mutual Re
- Three system vendors to consider
- Slow to react
- Complex product and Government wants innovation
- Ever changing regulations
- Fragmented training and underwriting support
- Blurred lines of accountability – members/ Farm Mutual Re/OMIA

Risk – ERM/ORSA

High risk for members in a major, often leading, product line

- Compliance
- Competitiveness
- Reinsurance costs
- Financial loss
- Reputation



Solution



Farm Mutual Re
Collaborate. Empower. Succeed.



ONTARIO MUTUAL
INSURANCE ASSOCIATION



ontario mutuals™
We're in this together



We need an identity that will clearly represent what we are.

- We are the product manufacturer of mutual automobile insurance distributed and managed by 33 independent insurers.

Ontario Mutuals Automobile Plan aka. OMAP

- an independent organization that manages the automobile product on behalf of the members

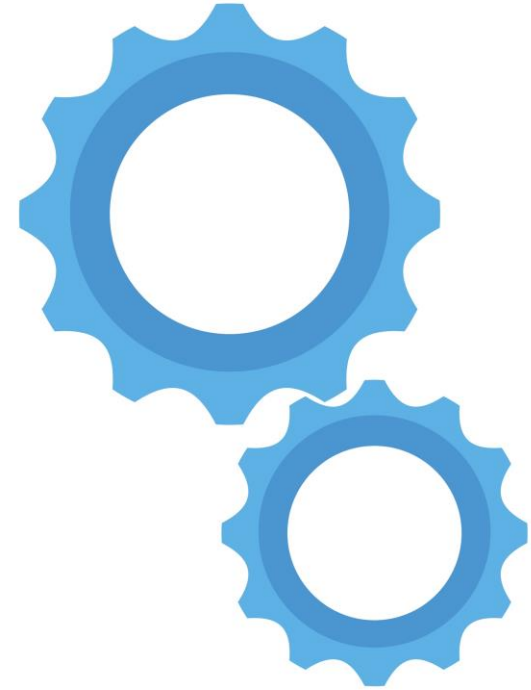
OMAP

- Develop product and rates. Maintain rate manual
- Rate filings
- Ensure compliance, competitiveness and profitability
- Keep abreast of marketplace
- Lead innovation
- Develop technology requirements and liaise with system vendors
- Provide underwriting support and training
- Liaise with regulator
- Maintain relationships with membership; establish member focus group



Structure

- Dedicated staff could ultimately include:
 - President & CEO
 - Product expert
 - Trainer
 - Analyst
 - Actuary
 - Shared resources with Farm Mutual Re/OMIA: office space, systems, telephony, Human Resources
 - Participate in OMIA benefit and pension plan



NOTE: FSRA has been accepting of the current Company 789 structure with Farm Mutual Re as agent. We would leave this in place at the onset with a transition to OMAP and its CEO in the future.

Oversight - Governance

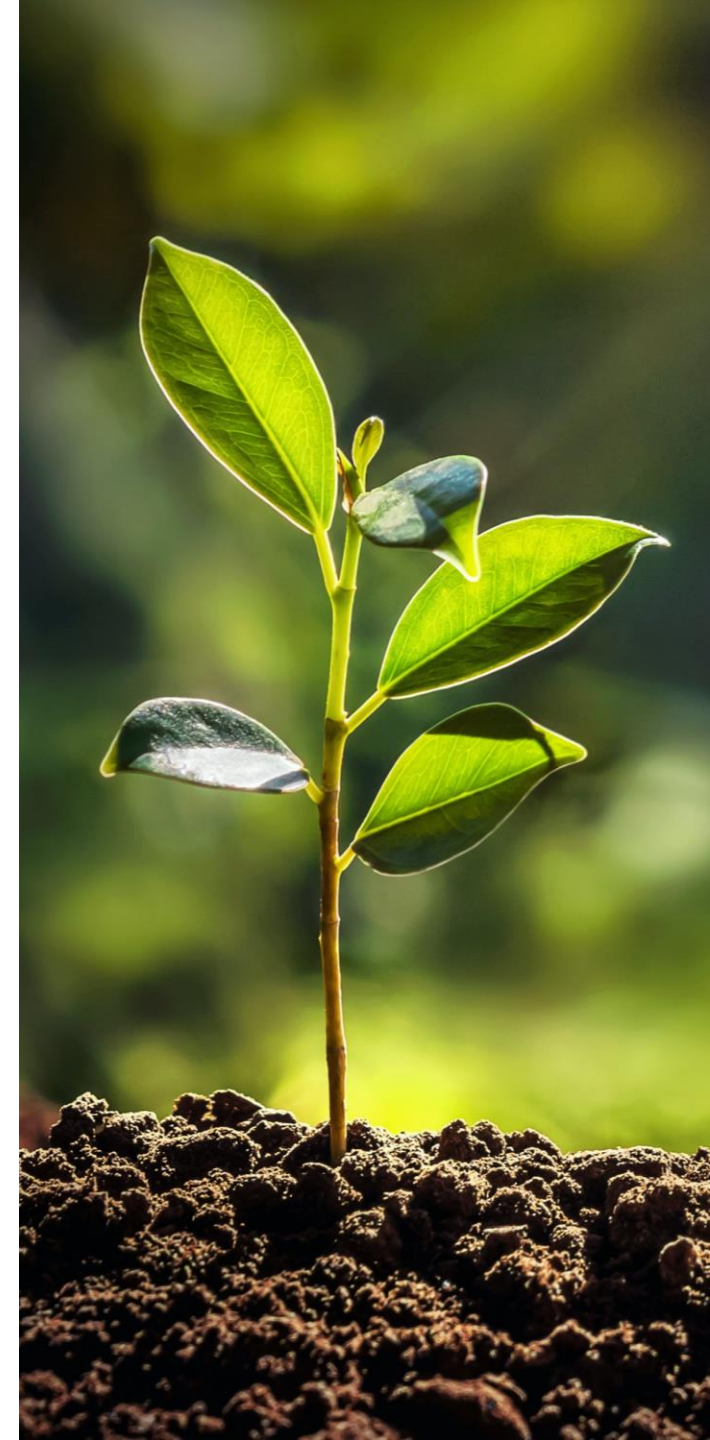
Board of Director or similar structure

- Need for governance, not operations
- 6 voting directors, 1 from each Group, 1 at large, non-voting representation from senior members of Farm Mutual Re and OMIA.
- For continuity, existing ARFC members will serve on new Board until their natural retirement (end of 4-year term) at which time they will be replaced per the new formula. This will ensure continuity while at the same time bring in a new board in a relatively short time.
- Board members need to hold a senior level position at a member company and possess a strong knowledge of the product and automobile insurance landscape.
- Most likely monthly meetings and an AGM.

Cost

- Approximately \$1M per year
- Allocated back to each member based on GWP

Cost distribution formula					
Total Prior year GWP					\$250,000,000
Cost per premium dollar					\$0.0042
Examples					
Member	Auto GWP				
1	\$1,500,000				\$6,298
2	\$3,000,000				\$12,596
4	\$5,000,000				\$20,994
5	\$10,000,000				\$41,988
6	\$20,000,000				\$83,975
Average per year	\$7,500,000				\$31,491





Next Steps

1. Agreement in principle of membership
2. Required changes to agency agreement
3. Formation of hiring committee to select CEO
4. CEO to develop detailed structure and make hires
5. Transition of existing agency resources from Farm Mutual Re/OMIA to new structure
6. **Target July 1, 2021**



Q&A

Please type your question into chat or use the hand icon if you would like to be unmuted.