

For the Board Meeting of: 8/19/2021

Executive Summary

Underwriting profits continued to increase in July with over \$1.3 million in underwriting profit up from June's \$1 million underwriting profit, bringing our year to date underwriting profit to \$7.1 million. Market value on investments increased again this month over \$440K and investment income for the month was \$500K. After an increase in accrued tax payable of \$460K, our year to date net profit is over \$6.4 million.

Update on my Department

We are now in the midst of summer vacations and as in the past we have a summer student who has joined the company to help us out. This year we are very fortunate to have Jakob Newman join us in admin. Jakob has completed a 2 year diploma in Business at Fleming College and is planning on continuing his education either with bridging over to Trent University or returning for a 3rd year at Fleming. He has an interest in accounting and sales.

In July, Andrea, April and I were all able to take a week's vacation.

This month I completed the OMIA salary survey and we are expecting the survey results in September.

Update on Major Goal(s)

This month our department was focused on our day-to-day responsibilities assisting staff with system issues and processing our transactions with reduced staff.

I expect this to continue in August with our focus returning to our next goal, our website in September.

Emerging or Future Issues

In follow up to our "brute force" attack on our website credit card page, we have moved our payment processing from Paysafe to Moneris. This was in our plans for when we updated our website; however, when our system was down with the attack on our website it was a logical time to make the switch. All of our credit card processing is now with Moneris. Bark Builder has also made a change to our website to prevent the same user from completing multiple credit card transactions in a short time.

My participation in the IFRS Qlik Sense project was supposed to begin the last week of August, but I have just heard that it may be delayed until September.

Financial Results

Year to date our premiums are up 4.2 % over the same period last year and our net claims incurred are down 49.1%. General expenses are down 3.3%. This has resulted in an underwriting profit of \$ 7.1million, up 250% from last year. These results continue to be remarkable.

Underwriting Profit / (Loss) (YTD)

5 Year Trend - based on Financial Statement

| Year | Amount \$ | Change \$ | Change % |
|------|-------------|-------------|----------|
| 2021 | 7,180,413 | 5,131,387 | 250.4% |
| 2020 | 2,049,026 | 3,354,917 | (256.9%) |
| 2019 | (1,305,891) | 1,887,886 | (59.1%) |
| 2018 | (3,193,777) | (2,434,207) | 320.5% |
| 2017 | (759,570) | | |

At the July 2021 board meeting a request was made for information on what factors impact our MCT ratio. I have included a summary of the P & C 1 – Schedule 30.61 and a brief description of the calculations behind each of the numbers. I've also attached a summary of the P & C 1 for each quarter this year compared to our year end numbers.

Respectfully Submitted,

Donna White

Vision Statement

Striving to provide you with peace of mind by protecting your tomorrows today.

MCT Calculation Review - P and C 1 - Schedule 30.61

| |
|--------------------------|
| Capital Available |
|--------------------------|

| | |
|--------------------------------|---|
| Total Capital Available | Surplus less various types of assets, ie intangible assets, goodwill, some loans. |
|--------------------------------|---|

| Risk Margin Calculation | Factor Based On | Factor or Calculation |
|-------------------------|-----------------|-----------------------|
|-------------------------|-----------------|-----------------------|

Insurance Risk:

| | | |
|--|--------------------|--|
| Premium liabilities | Class of Insurance | Personal Property 20%, Commercial Property 20% and Liability 30% |
| Unpaid claims | Class of Insurance | Personal Property 15%, Commercial Property 10% and Liability 25% |
| Catastrophes | | |
| Margin required for reinsurance ceded to unregistered insurers | | |
| Subtotal: Insurance risk margin | | |

Market Risk:

| | | |
|------------------------------|---------------------|--|
| Interest rate risk | Type of Investment | Fair Value of Investment and Effective interest rate |
| Foreign exchange risk | | |
| Equity risk | Shares - Exposure | 30% |
| Real estate risk | Balance Sheet Value | 10% owner occupied or 20% for investment properties |
| Other market risk exposures | Equipment Assets | 10% |
| Subtotal: Market risk margin | | |

Credit Risk:

| | | |
|--|---------------|---|
| Counterparty default risk for balance sheet assets | Type of Asset | Cash .25%, Accrued Interest 2.5%, Receivables 0-10%, Reinsurance Recoverable 2.5%, Deferred Taxes 10% |
| Counterparty default risk for off-balance sheet exposures | | |
| Counterparty default risk for unregistered reinsurance collateral and SIRs | | |
| Subtotal: Credit risk margin | | |

Operational risk margin

| | | |
|---|------------------------|--|
| Operational risk margin | Income Statement Value | Direct written premium in past 12 months 2.5%, Reinsurance ceded in past 12 months 2.5%, Insurance Risk margin above 8.5%, Premium growth > 20% 2.5% |
| Less: Diversification credit | Above Risk Margins | Calculation based on Insurance Risk, Market Risk and Credit Risk Margins |
| Total Capital (Margin) Required at Target | Calculation | Sum of Insurance Risk, Market Risk, Credit Risk and Operational Risk Margins less Diversification Credit |
| Total Minimum Capital (Margin) Required | Calculation | Capital Required at Target/1.5 |
| Excess Capital (Net Assets Available) over Minimum Capital (Margin) Required | Calculation | Surplus less various types of assets, ie intangible assets, goodwill, some loans. |
| MCT (BAAT) Ratio | Calculation | Capital Available/Total Minimum Capital Required |

MCT Calculation Review - P and C 1 - Schedule 30.61

| | 31-Dec-20 | 31-Mar-21 | 30-Jun-21 |
|---|----------------|----------------|----------------|
| Capital Available | | | |
| Total Capital Available | 37,252 | 39,506 | 42,406 |
| Risk Margin Calculation | | | |
| Insurance Risk: | | | |
| Premium liabilities | 2,534 | 3,196 | 3,507 |
| Unpaid claims | 2,381 | 2,427 | 2,416 |
| Catastrophes | 0 | 0 | 0 |
| Margin required for reinsurance ceded to unregistered insurers | 0 | 0 | 0 |
| Subtotal: Insurance risk margin | 4,915 | 5,623 | 5,923 |
| Market Risk: | | | |
| Interest rate risk | 1,170 | 1,186 | 1,177 |
| Foreign exchange risk | 0 | 0 | 0 |
| Equity risk | 4,477 | 5,732 | 6,004 |
| Real estate risk | 744 | 712 | 673 |
| Other market risk exposures | 9 | 33 | 54 |
| Subtotal: Market risk margin | 6,400 | 7,663 | 7,908 |
| Credit Risk: | | | |
| Counterparty default risk for balance sheet assets | 1,015 | 872 | 1,539 |
| Counterparty default risk for off-balance sheet exposures | 0 | 0 | 0 |
| Counterparty default risk for unregistered reinsurance collateral and SIRs | 0 | 0 | 0 |
| Subtotal: Credit risk margin | 1,015 | 872 | 928 |
| Operational risk margin | 2,015 | 2,133 | 2,234 |
| Less: Diversification credit | 1,579 | 1,811 | 1,895 |
| Total Capital (Margin) Required at Target | 12,766 | 14,480 | 15,098 |
| Total Minimum Capital (Margin) Required | 8,511 | 9,653 | 10,065 |
| Excess Capital (Net Assets Available) over Minimum Capital (Margin) Required | 28,741 | 29,853 | 32,341 |
| MCT (BAAT) Ratio | 437.69% | 409.26% | 421.32% |