

President's Report

For the Board Meeting of: 3/11/2021

Executive Summary

February came in like a lamb and went out like a lamb. Claims were down and a significant underwriting profit was made. Again it is good to get out of the gate and ahead of the challenging months where the claims come in and set us back.

Focus on yearend continued in February with the P&C1 and significant requirements for enhanced Management Reporting (provided as a separate document). My role was modifying a lot of the work that was done for the budget last year to incorporate a Balance Sheet. This was a new challenge as I have never attempted estimating the balance sheet. In addition, an estimate has been made for the MCT. The new version of the budget file has been provided in the board package. A director is required to sign the P&C1, so we met virtually with Allan, Dave & Nancy as the normal options for signing this document and reviewed the content.

Christine and I have had numerous meetings with our brokers over the yearend results. We have received a lot of positive feedback for our company's performance in serving their needs on policies, claims and accounting.

Action Items

The most pressing activity, now that year end is done, is the virtual annual meeting. This meeting, being held virtually, is complex and has been made more complex by a policyholder wanting to amend the amendment to the by-law proposed by the board. I have contacted Stephen Grant, our company lawyer, to attend the meeting as parliamentarian. Steve will also assist us in ensuring the process is correct. I met with the executive to discuss the situation and we are taking a couple steps to help address the original amendment. The first step is to have Nancy take a couple minutes to discuss the nomination process the company has implemented. The chair was also going to reach out to another director to speak on the board's amendment to the By-laws and the reasoning behind it. After that, we will allow the policyholder to address the group on their amendment. The executive has suggested that we provide a time limit to anyone who wants to speak to the motion or the amendment. This would help keep the meeting moving and allow anyone who wants to, the opportunity to comment on the motion or amendment.

Department Update

I have met with all of my managers one-on-one. My goal is to ensure these conversations target at least some of the goal areas in my performance development plan. Management meetings, leadership meeting and staff meetings are all set up following the annual meeting. My managers are in good spirits and actively engaged with their departments. As you are aware, we have one opening for a claims adjuster that we are in the process of filling.

Current / Emerging Issues

Company 789, which is about 33 mutuals in Ontario all working together to sell auto, including HTM, is evolving. We had a special meeting on the 3rd to discuss a proposal to remove all the labour that is done part-time by OMIA and FM Re and create a separate entity. The mutuals in 789 write over \$250 million in premium and the people making the biggest impact are part-time. The proposal is to create a company, with a small but dedicated team for this group. This will add some additional costs to HTM that we did not anticipate, however from initial estimates, it's just over \$30,000 per year. That estimate is based on a fully staffed and operational company, which will not occur until later this year or even into 2022. This is a natural evolution of the automobile program, which started over 40 years ago as an accommodation to our other business. Originally, auto was a supplemental line that helped companies with retention and growth. Today, many mutuals write as much auto as they do in all their other lines combined. This is a positive development for the mutuals and HTM. As a bonus for HTM, Warren will be a part of the initial start-up of the company and end up being a member of the first board of directors. Currently, individuals like Warren are committee members, so the role will shift from committee member to director. The 789 companies have to approve this still, but if this doesn't go through, then another structure will be created.

Donation

I'll have to take the blame on this issue. Clarity in communicating the thoughts of management in this area fell short. At the January board meeting, we discussed the refund and I met with the managers to get their input on a recommendation. After a lot of discussion, we recommended to the board not to do the refund; and instead:

1. Continue to work with policyholders having challenges with payments, not cancelling policies, pro-rating returns, etc.
2. Minimize the impact of renewals by not raising rates or at least minimizing what increases we may have wanted.
3. Increase the donation budget substantially.

As you know the board approved the recommendation of management. The management team got together and put some thoughts down on what we could do with a "substantial" increase in the **donation** budget. This was not provided to the board in advance, which was another issue. However, I am not sure, based on the conversation, that the board fully appreciated the motion that was passed in January. We were simply expecting a conversation/debate on what "substantial" meant to the board versus management, as well as some of the ideas put forward and potential new ones.

Now a month has passed and we have had some opportunity to digest the conversation, I believe the following three steps should take place at the March meeting:

1. Reaffirm the January motion, if reaffirmed then;
2. Discuss "substantial" and determine the dollar amount
3. Discuss some broad ideas for donations

One of our core Values:

"We make a difference in our communities."

We are proud of the communities we are part of. We go out of our way to support them and make a lasting difference.

Other

The mutuals are creating an innovation lab and there is a small group working on putting it together. I, along with Neil Shay (CTM) and Enrico Mastrengelli (Commonwell) are consultants to this working group, providing them with feedback as they develop the lab. It's an interesting project.

Respectively Submitted

A handwritten signature in black ink, appearing to be a stylized name, possibly "J. H. ...", with a long horizontal flourish extending to the right.