

Financial Report

Summary

The income statement showed underwriting at slightly less than projected with a \$1.6 million profit. As you were made aware of, the November storm and a small house fire projected claims over \$3 million for the month. Recoveries from the storm losses from our reinsurer softened the outcome. Investments were strong and offset some of the underwriting loss to make the drop in surplus from October's high by \$700,000. We saw some strength in premiums and new business in November making the slide in growth to 8.4% YTD.

Details – Balance Sheet

Our balance sheet is strong with surplus up 15% from this time last year. This increase has dropped from October's 20+% increase. Cash is excessive at \$9 million, and now with new signing authority being approved Donna and I will head off to the bank to transfer some funds to Scotia.

Accounts receivable is on par with last year, which is due to timing. Last year, November 30th ended on a Saturday pushing all amounts paid on the 30th into December and thus making the month end balance significantly higher.

The reinsurer's share in unpaid claims took another hit in November due to recoverable on the CAT event.

Assets now stand at \$84.2 million dollars, up \$11 million from last year.

We have increased the Profit Sharing (CPC) to recognize potential broker cheques at the end of the year.

Provision for unpaid claims rose due to the CAT loss as well and UEP are up due to growth. These two areas pushed liabilities up to \$47.2 million. On the positive side, unpaid claims are going up from short-term property losses versus long-tailed liability or auto claims.

Details – Income Statement

Premium written has increased by 8.4%, just slightly down from the prior month's 8.6%. Expectations for year end is just under 8% growth.

The change in Unearned premium is lower than 2019 and this is another indication that growth in 2020 was less than growth in 2019. After reinsurance costs, net earned premiums are up 11.9%.

Gross claims surged in November bringing them close to 2019 figures. Additional revenue and reinsurance recoveries kept the net loss ratio down to 54.%.

On the expense side, the increase in salaries has dropped from 20%+ at the end of September to 12.2%.

Amortization includes 11 months of the Gunter acquisition versus 5 months 2019.

Other areas of the expenses have been reviewed with our budget process.

Underwriting profit has had a swing of almost \$4 million from 2019 with our combined ratio sitting at 95%.

November's investments bounced back from the small fall in October and is closer to being on par with a record high 2019.

We use approximately 25% as a tax rate, so the result is an estimate of \$1.15 million on \$4.6m of pre-tax profit.

Details – Budget

As we indicated early this year, premiums are not going to make budget for 2020 and stand at 98% of our projected budget. We are off our budget by \$600,000 at the end of November. With other adjustments offsetting the reduction in gross premiums, net premiums have remained on budget.

As you know, claims for 2020 have been historically low so it's not surprising the budget reflects a much higher claims expense. Net adjusting includes legal, independent adjusters as well as internal costs and is subject to adverse development similar to claims.

Much of the budget expenses have been explained in great detail with the budget 2021. Currently expenses are 96% of our overall expense budget.

Hamilton Township Mutual Insurance Company

BALANCE SHEET as at November 30, 2020

ASSETS	2020	2019	% Change
Cash	9,369,487	3,514,461	166.6%
Investments	45,514,224	42,709,280	6.6%
Accrued interest	218,455	223,834	-2.4%
Accounts receivable			
Agents	9,000,316	8,906,169	1.1%
Reinsurance	274,430	13,550	1925.3%
Other	379,606	275,590	37.7%
Reinsurers' share of unpaid claims	8,259,886	5,839,445	41.4%
Deferred policy acquisition	3,146,464	3,013,929	4.4%
Prepaid	118,843	75,169	58.1%
Fixed assets	7,456,888	7,504,480	-0.6%
Unadmitted Asset - Gunter	397,233	568,000	-30.1%
Future income taxes	129,966	470,000	-72.3%
	84,265,798	73,113,907	15.3%
LIABILITIES	2020	2019	% Change
Accounts payable	1,142,135	675,693	69.0%
Due to reinsurers	102,973	431,762	-76.2%
Profit sharing payable	690,076	472,960	45.9%
Income tax payable	704,495		0.0%
Provision for unpaid claims	27,210,494	23,021,894	18.2%
Unearned premiums	17,803,670	16,579,000	7.4%
	47,653,843	41,181,310	15.7%
SURPLUS			
Surplus	36,611,954	31,932,597	14.7%
	84,265,798	73,113,907	15.3%

Hamilton Township Mutual Insurance Company

Income Statement for November 30, 2020

PREMIUM INCOME	2020	2019	% Change	
Gross premiums written	31,865,090	29,392,127	8.4%	
Less reinsurance premiums	(4,116,482)	(3,960,171)	3.9%	
Net premiums written	27,748,608	25,431,956	9.1%	
Change in unearned premiums	(1,642,496)	(2,102,555)	-21.9%	
Net earned premiums	26,106,112	23,329,402	11.9%	
Service charges	428,315	377,469	13.5%	
Net Underwriting Revenue	26,534,427	23,706,871	11.9%	
CLAIMS EXPENSES	2020	2019	% Change	% E.P.
Gross claims and adjusting	17,073,672	17,931,806	-4.8%	65.4%
Reinsurer's share of claims & adjusting	(2,910,833)	(1,688,627)	72.4%	-11.2%
Net claims and adjusting	14,162,839	16,243,179	-12.8%	54.3%
EXPENSES	2020	2019	% Change	% E.P.
Commissions	6,133,537	5,376,722	14.1%	23.5%
Salaries and benefits	1,921,678	1,712,116	12.2%	7.4%
Director fees	197,718	163,915	20.6%	0.8%
Professional fees	67,995	69,354	-2.0%	0.3%
Travel and education	61,620	225,391	-72.7%	0.2%
Loss prevention	416,876	442,113	-5.7%	1.6%
Advertising	80,875	139,058	-41.8%	0.3%
Office, printing and telephone	828,161	742,823	11.5%	3.2%
Ontario premium taxes	110,000	98,223	12.0%	0.4%
Building	237,262	240,798	-1.5%	0.9%
Amortization of property	455,800	366,300	24.4%	1.7%
Other	259,695	245,738	5.7%	1.0%
Total operating expenses	10,771,218	9,822,551	9.7%	41.3%
Underwriting (loss) gain	1,600,370	(2,358,858)	167.8%	4.5%
	2020	2019	% Change	
Investment income	698,998	770,070	-9.2%	
Change in Market Value	2,032,919	2,728,755	-25.5%	
Gain on disposal of investments	421,673	79,429	430.9%	
Management fees	(150,812)	(140,400)	7.4%	
Total Investment Income	3,002,778	3,437,854	-12.7%	
Taxes	(1,151,000)	-		
Net Earnings (loss)	3,452,148	1,078,996	219.9%	

HAMILTON TOWNSHIP BUDGET FOR 2020

	Actual November 2020 YTD	% over 2019	Budget November 2020 YTD	% of YTD Budget	Actual November 2019 YTD	Actual to Annual Budget	2020 Annual Budget	
FARM	\$7,760,577		\$7,800,000		\$7,329,523		\$8,300,000	24%
RESIDENTIAL	\$12,084,613		\$12,300,000		\$11,042,715		\$13,300,000	38%
COMMERCIAL	\$3,912,753		\$3,900,000		\$3,515,122		\$4,200,000	12%
AUTOMOBILE	\$7,845,616		\$8,200,000		\$7,307,867		\$8,900,000	26%
Totals	\$31,603,559	8.2%	\$32,200,000	98.1%	\$29,195,227	91.1%	\$34,700,000	100%
Net Calculations								
FACILITY	\$79,834		\$48,000		\$56,611		\$50,000	
RISK SHARING	\$181,697		\$135,000		\$137,923		\$140,000	
AGRICORP			\$20,000		\$2,366		\$20,000	
REINSURANCE PREMIUMS	(\$4,116,482)		(\$3,950,000)		(\$3,960,171)		(\$4,400,000)	
CHANGE IN UNEARNED	(\$1,642,496)		(\$2,300,000)		(\$2,102,555)		(\$1,660,000)	
Total Net Earned Premiums	\$26,106,112	11.9%	\$26,153,000	99.8%	\$23,329,401	90.5%	\$28,850,000	
Service charges	\$428,315	13.5%	\$418,000	102.5%	\$377,469	97.3%	\$440,000	
	\$26,534,427	11.9%	\$26,571,000	99.9%	\$23,706,870	90.6%	\$29,290,000	
CLAIMS EXPENSES								
NET CLAIMS INCURRED	\$12,794,747	% of E.P	\$14,000,000		\$14,716,662		\$15,500,000	% of E.P
NET ADJUSTING	\$1,368,092		\$1,043,330		\$1,526,517		\$1,400,000	
Sub- total	\$14,162,839	54.3%	\$15,043,330	94.1%	\$16,243,179	83.8%	\$16,900,000	58.6%
COMMISSIONS ETC.								
COMMISSION EXPENSE	\$6,133,537		\$6,200,000		\$5,376,722		\$6,950,000	
Sub- total	\$6,133,537	23.5%	\$6,200,000	98.9%	\$5,376,722	88.3%	\$6,950,000	24.1%
SALARIES AND BENEFITS								
EI EMPLOYER	\$29,204		\$32,500		\$28,204		\$35,000	
CPP EMPLOYER	\$88,197		\$75,000		\$79,584		\$85,000	
HEALTH TAX	\$35,953		\$31,000		\$31,875		\$35,000	
SICK LEAVE	\$0		\$0		\$0		\$20,000	
PENSION PLAN	\$205,355		\$200,000		\$195,310		\$250,000	
OMIA BENEFITS	\$182,670		\$180,000		\$153,433		\$270,000	
SALARIES EXPENSE	\$1,380,299		\$1,500,000		\$1,223,710		\$1,700,000	
Sub- total	\$1,921,678	7.4%	\$2,018,500	95.2%	\$1,712,116	80.2%	\$2,395,000	8.3%
DIRECTORS FEES								
DIRECTORS FEES	\$197,718		\$175,000		\$163,915		\$200,000	
Sub- total	\$197,718	0.8%	\$175,000	113.0%	\$163,915	98.9%	\$200,000	0.7%
PROFESSIONAL FEES								
AUDIT FEES	\$33,000		\$36,000		\$30,000		\$40,000	
LEGAL FEES	\$0		\$7,500		\$7,278		\$10,000	
PROFESSIONAL FEES	\$34,995		\$30,000		\$32,076		\$35,000	
Sub- total	\$67,995	0.3%	\$73,500	92.5%	\$69,354	80.0%	\$85,000	0.3%
OTHER EXPENSES								
ADVERTISING	\$80,875		\$120,000		\$118,701		\$140,000	
LICENSE & FILING FEES	\$100,821		\$72,000		\$65,457		\$80,000	
CONVENTION FEES	\$5,536		\$80,000		\$90,048		\$90,000	
SCHOOLING	\$32,630		\$80,000		\$53,716		\$85,000	
AMORTIZATION	\$455,800		\$370,000		\$366,300		\$435,000	
SUNDRY	\$12,069		\$50,000		\$48,280		\$67,000	
INSURANCE	\$52,546		\$70,000		\$70,612		\$75,000	
PREMIUM TAX	\$110,000		\$95,000		\$98,223		\$115,000	
BAD DEBTS	\$11,826		\$13,000		\$13,143		\$15,000	
KITCHEN	\$5,391		\$15,000		\$8,994		\$20,000	
BROKER FORUM			\$25,000		\$20,357		\$25,000	
TRAVEL EXPENSES	\$23,454		\$80,000		\$93,014		\$90,000	
POSTAGE & TELEPHONE	\$115,831		\$120,000		\$103,453		\$140,000	
PRINTING & STATIONARY	\$65,645		\$48,000		\$44,419		\$50,000	
COMPUTER SERVICES & EXPENSES	\$652,057		\$680,000		\$600,066		\$710,000	
LOSS PREVENTION	\$416,876		\$500,000		\$442,113		\$590,000	
Sub- total	\$2,141,357	8.2%	\$2,418,000	88.6%	\$2,236,896	78.5%	\$2,727,000	9.5%
BUILDING EXPENSES								
TAXES	\$86,558		\$90,000		\$87,944		\$95,000	
FUEL & LIGHT	\$31,700		\$48,000		\$34,806		\$50,000	
JANITORIAL & CLEANING	\$30,518		\$30,000		\$19,664		\$35,000	
REPAIR & MAINTENANCE	\$35,940		\$35,000		\$27,773		\$40,000	
Sub- total	\$184,716	0.7%	\$203,000	91.0%	\$170,187	84.0%	\$220,000	0.8%
TOTAL EXP. EXCL. CLAIMS	\$10,647,001	40.8%	\$11,088,000	96.0%	\$9,729,190	84.7%	\$12,577,000	43.6%
SUNDRY								
INTEREST	(\$3,254)		(\$22,000)		(\$12,677)		(\$25,000)	
BANK CHARGES	\$127,470		\$110,000		\$106,038		\$120,000	
Sub- total	\$124,216	0.5%	\$88,000	141.2%	\$93,361	130.8%	\$95,000	
UNDERWRITING LOSS/GAIN	\$1,600,370	6.1%	\$351,670	455.1%	(\$2,358,860)	-567.5%	(\$282,000)	-1.0%
OTHER INCOME								
INVESTMENT INCOME	\$2,731,917		\$1,100,000		\$3,498,826		\$1,350,000	
OTHER PROFESSIONAL FEES	(\$150,812)		(\$150,000)		(\$140,400)		(\$150,000)	
TAXES	(\$1,151,000)		\$0		\$0		\$0	
GAINS ON INVESTMENTS	\$421,673		\$0		\$79,429		\$0	
INCOME AFTER TAXES	\$3,452,148	13.2%	\$1,301,670	265.2%	\$1,078,995	45.9%	\$918,000	3.2%