



12/17/2021

Board Meeting

Minutes of December 16, 2021

ATENDING DIRECTORS:

Dave Rutherford, Chair
Nancy Brown, Vice-Chair (Virtual)
Richard Barrett, 2nd Vice-Chair
Allan Sheppard, Past Chair
Trish Baird, Director
Van Darling, Director
Bill Dorland, Director
John Kernaghan, Director
Susan Treverton, Director (Virtual)

ATENDING STAFF:

Alec Harmer, President

REGRETS:

Barbara Dinnage
RECORDING SECRETARY

MISSION

“To protect your future as if it’s our own”

VISION

“Our family striving to provide you with peace of mind by protecting your tomorrows today”

Opening of the Meeting

Dave Rutherford, Chair, called the meeting to order at 9:35 a.m. Dave welcomed everyone to the final meeting of 2021. We took a moment to reflect on the past year. He wished everyone a Merry Christmas and a Happy New Year.

The board recited the Mission and Visions statements.

Dave asked if there was any conflict of interest. There were none.

MOTION: *“To approve the Agenda as distributed.”*

Mover: Allan Sheppard

Second: John Kernaghan

Carried.

Consent Agenda

The consent agenda items were:

- Minutes of the previous board meeting
- Minutes of the Audit committee
- Minutes of the Finance committee
- Minutes of the Executive committee
- OMIA report
- FM Re report
- Management Reports

It was asked if there were any questions about the consent agenda items.

There was a correction to the minutes of the audit committee. They didn’t show Nancy Brown as attending the meeting and she was present. The minutes are to be amended. An explanation of Collectifide was given by Alec for the benefit of our new board members. Access was requested for the training videos that Warren produced. Alec will post them on the secure Directors site of our website. A question was raised on if broker training sessions will be planned in 2022. Yes, if the current health concerns in the province improve we would like to do some in person training. We have continued to do training virtually during the past year. A clarification was asked for, that if brokers do not use advertising dollar they expire. Yes, they must be used by the end of the year. The ability to have the broker use funds as a donation was an accommodation during the pandemic. Board members asked for more detail in the

reports from loss prevention. Alec will address this with Bryce. Directors would also like included in the underwriting service standards the number of inspections to be reviewed by underwriters.

MOTION: *"To accept the consent agenda items as distributed."*

Mover: Bill Dorland

Second: Trish Baird

Carried

Directors Activities in the Past Month

Van and John reported that they had been working with the Christmas parade float committee. A great job was done and everyone had a great time. There is a second parade in Roseneath, Dec 17th they will participate in.

Bruce Buttar (retired director) participated in the parades and supplied the building, trailer and truck for the float. A gift certificate should be given to Bruce for his continued support of HTM.

Richard attended the Raptors game on behalf of the company. A great time was had.

Dave reported it had been a busy month with committee meetings.

Dave also delivered our meat donation. He went to Hilts Butcher and the meat was given to 3 food banks and then went to Taylors Butcher and meat was also divided amongst 3 different food banks. The donations were happily received. Photos were taken and shared on our Facebook page.

Budget

Alec went over key points in the budget for 2022. He reviewed action items, key performance indicators and the inflation factor we will be applying. In reviewing the balance sheet the biggest change is the broker acquisition cost for the Pearson purchase. On the liability side, the gross claims incurred estimate for 2022 is projected to increase. We will be reinstating NSF fees in 2022. We are projecting an underwriting profit of \$1,878,000. On the income statement, the salaries and benefits line reflect inflation, a new position in the admin department and the adjustment that resulted from the Pay Equity project. There is some anticipated costs for the use of external Loss Prevention sources to help eliminate the back log.

MOTION: *"To accept the recommendation of the finance committee to approve the budget for 2022."*

Mover: Van Darling

Second: Allan Sheppard

Carried

MOTION: *"To approve the strategic planning document for 2022 – 2026."*

Mover: John Kernaghan

Second: Nancy Brown

Carried

CEO Performance Review

Barb left the board room while the review of CEO's performance for 2021 took place, determining Bonus for 2021 and setting pay/bonus for 2022. Part of the session will be in-camera.

Alec left for the in-camera session.

Board took break and meeting resumed with Barb and Alec returning at 11:16 a.m.

MOTION: *"the board authorizes the Chair to inform the VP of Finance and the auditor of the CEO's remuneration as discussed in-camera and a written record be kept for directors' access."*

Mover: Van Darling

Seconder: Allan Sheppard

Carried

Compliance Calendar Review

Barb reviewed the Compliance Calendar that we will be using for the upcoming year. This has been created based on items that we are required to do as a company and board. This will help us confirm that all standard are being met. There will be an update included in the Compliance report monthly to the board. The document will continue to be revised as items come up or are removed. Anything that anyone sees that should be added or removed can send an email and we can get amended.

Director Fees

The Executive committee met and discussed the director fees for the 2022 year. A summary was provided of the average fees received for 23 mutual companies. The survey shows that HTM directors are a bit below the average of the other company in the report. A discussion took place on the idea of directors having a salary. This would simplify the expense sheets and be a little more equitable. This is something that can be considered looking at 2023. It will be brought forward for discussion at the June meeting and then be considered for a motion at the October or November meeting.

MOTION: *"to accept the executive committee recommendations on directors' fees."*

Mover: Allan Sheppard

Seconder: Richard Barrett

Carried

Financial Review and Stats

Alec presented the Financial report.

The income statement shows underwriting profit at an incredible \$8 million over the budgeted amount with an \$8.3 million profit up \$1 million from last month. Earned premiums were up 7.2% from last year, based on the unearned premium change year to date, a small reduction in accrued reinsurance premiums and an increase in written premiums of 3.9%. The largest factor in our remarkable underwriting results this year is still the low claims incurred year to date. Net claims costs are down 39.8% compared to this

time last year and down 48.4% from budget. General expenses, in total, are over 2.9% over budget at \$11.5 million. Market value of our investments did make another small positive recovery in November. Our investment income is off last year's results by a drop of 62.3% however, 7.6% over budget expectations. Our net profit of \$7.1 million after our tax estimate is a significant improvement over last year's excellent results by 106% and by budget expectations 598.5%.

Our balance sheet is strong with surplus up 22.2% from this time last year. Cash and investments are up 11% from last year and 1.5% higher than budgeted.

You will notice under Accounts Receivable the Due from Facility is down significantly. In October we adjusted our receivable from Facility Association Risk Sharing Pool down due to an error found in our risk sharing pool journal entries. Over the past several years, the risk sharing pool premium and claims were being posted to the GL monthly, and yet we had to pay them monthly or they paid us and the amounts never agreed. In trying to understand how the risk sharing pool worked, we reviewed the reports we were receiving and noticed that the monthly Facility RSP commission expense was the difference and that we could reconcile the amounts posted to the amount we owed them. Alec and Donna discussed the receivable balance of \$480K that we were carrying on the balance sheet and agreed that it was not correct and should be wrote off. This year from January to November, it has been expensed over \$34K to Facility commission costs from this year's reports and there was a balance in AR of \$480K at the end of 2020 so about 10 years' worth of Facility commission expense. The cost has been expensed on the Income Statement under Facility commission under Policy Acquisition Expenses bringing those costs up. As part of our year end audit, our auditors are in contact with Facility to confirm how this pool works and that we should in fact be writing off this amount.

MOTION: *"To approve the financial report to November 30th."*

Mover: Richard Barrett Second: John Kernaghan

Carried

[Refund from Surplus](#)

Alec reviewed the policy and the 2021 financials are hitting all tests to trigger conversation. Alec gave examples of end of year premiums and loss ratios by line.

The discussion began, looking back to 2020 we didn't give any rebates during COVID and we didn't increase donations significantly. We need to remember our roots and that we are owned by the policyholders. Other mutuals have given refunds, they each have different criteria. Giving a refund is not a promise that this is an annual occurrence. Refunds must be based on our underwriting profit.

Concern was expressed that we could have a poor loss experience in 2022 and less surplus to rely on. The reinsurance response was discussed. It was questioned the impact the rebate would have to policyholders. In the case of businesses and farm owners, this would be income they need to declare for taxes.

It was expressed that rates should hold steady. Giving a rebate and then raising rates is not recommended. The rates are expected to be stable, however the annual inflation factor will be applied to buildings. Insureds will see an increase in premium from this.

In the past, we have had several discussions concerned about not getting enough rate for certain lines of business. In business, profit isn't a bad thing. It was mentioned that policyholders do not look at their premium as an investment that they look for a return on. The pandemic is still an uncertainty in 2022.

The profit we are realizing this year, this should be looked at as an opportunity to build up our surplus for tougher times. This would leave us in a stronger position as a company. Also, there is concern that our growth is low.

The idea of a refund shows that we are thinking about mutuality. Both sides of this discussion have merit, although a rebate would be a goodwill gesture.

The refund to policyholders shows who we are as a company and allows the policyholders to share in the profits that they helped us realize. It seems like the right thing to do.

The discussion continued to the process of how the money would be returned. It is expected that the process would be done with a third party company. They would draw the cheques, include a cover letter from us, complete mailing and reconciliation of the cheques. The cover letter would need to promote mutuality and discuss the year we have had that lead to the rebate.

MOTION: *"To give a refund to our policyholders for the year ending 2021."*

Mover: Bill Dorland

Second: Nancy Brown

Recorded vote requested

John Kernaghan	Yes	Van Darling	No
Susan Treverton	Yes	Richard Barrett	No
Bill Dorland	Yes	Allan Sheppard	No
Trish Baird	Yes	Dave Rutherford	Yes
Nancy Brown	Yes		

Carried

Discussion whether the refund should be given based on the loss ratio by line took place. It was decided to give refund equally to all policyholders based on a percentage of the premium they pay regardless of loss ratio on the class of business. The minimum amount a policyholder would receive is \$25. It was felt this promoted goodwill to all policyholders.

MOTION: *"To refund to a maximum of \$3,000,000 and a minimum of \$1,800,000. The underwriting profit that cannot go below \$4,000,000 after the refund."*

Mover: Bill Dorland

Second: John Kernaghan

Carried

Pearson Insurance

Alec gave an update that the purchase agreement contract was currently being reviewed by the Pearson's lawyer and by the HTM lawyer. This will be brought to the January meeting. There are no concerns to note with the agreement.

Other Business

A discussion took place on the upcoming staff/director Christmas lunch. Based on the newest COVID information it was agreed that we would not have an in person gathering and come up with an alternative.

Director Donations – Last year each director was given the opportunity to give 3 charities of their choice \$1,000 each. Discussion took place on if we would like to continue this again this year.

MOTION: *"To have each director donate to 3 organizations \$1,000 each for a total of \$3,000 per director at the option of the director."*

Mover: Bill Dorland

Secunder: John Kernaghan

Carried

Van indicated that the management team could select 3 charities to donate to on his behalf.

Adjournment of the Meeting

MOTION: *"to declare the meeting adjourned at 2:29p.m."*

Mover: Allan Sheppard

An in-camera session was not required.

Date

Dave Rutherford, Chair

Alec Harmer, Secretary