



11/19/2021

Board Meeting

Minutes of November 18, 2021

ATTENDING DIRECTORS:

Dave Rutherford, Chair

Nancy Brown, Vice-Chair

Richard Barrett, 2nd Vice-Chair

Allan Sheppard, Past Chair

Trish Baird, Director

Van Darling, Director

Bill Dorland, Director

John Kernaghan, Director

Susan Treverton, Director

ATTENDING STAFF:

Alec Harmer, President

REGRETS:

None

Ashley Kamphorst
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 9:30 and welcomed everyone to the first meeting held in the Boardroom since before the pandemic. He read a quote from John Taylor that addressed concern for the future of mutual companies, he commented on the flooding in BC and what their farmers are experiencing, and spoke on the loss of Brandon. The board stood for a moment of silence.

The board recited the Mission and Vision statements.

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

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

Mover: Allen

Secunder: Richard

Carried.

Consent Agenda

The consent agenda items were:

- Minutes of the previous board meeting
- OMIA Report
- OMIA Legislative issues
- OMIA Grass Roots Brochure
- FM Re Report
- IFRS 17 Readiness update
- Board Survey
- Directors’ Fees Summary
- MD&A Report
- Management Reports

When asked, Alec highlighted how the MD&A Report is used. Then, he commented on working from home and vaccine requirements for staff coming into work. He does not foresee significant HR problems arising at HTM as result of a vaccine requirement. Alec said he would look into the director fee summary, both for October and for retirements. It was discussed how Newman Insurance has picked up another market in Nova Mutual. To another question, Alec advised there is no exposure for Farm Re in BC. Alec

indicated the death benefits process is underway for Brandon's family. There was a discussion on OMIA's funding call; as long as HTM's contribution is made before the end of the year, it can be expensed. Alec explained the purpose of the IFRS 17 implementation.

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

Mover: Richard

Secunder: Bill

Carried.

Directors' Activities

Bill thanked the board for letting him attend the P&Ms, and commented on speakers who stood out to him. Generally the board thought it was well done.

CEO 360 and 2022 Goals

Alec went over management's 360 survey on him, in addition to his self-assessment, in which strengths, weaknesses, and areas for improvement are scored. He explained for process for gaining input. He highlighted his three goals: Technology (Channels), Governance (IFRS 17) and Channels (acquiring Pearson Insurance). He presented his leadership areas: Innovation, Accountability, and Coaching & Mentorship. He then presented his competency improvement areas, which were Integrity/Teamwork, Coaching/Mentorship/Delegation, and Teamwork. Alec advised that staff meetings are held quarterly in a virtual format, but will be more structured going forward.

The board then took a ten-minute break.

Investment Presentation

Following the break, Dave welcomed Ed and Tommy from Jarilowsky Fraser to review HTM's investment performance and to discuss ESG. It was asked where interest rates might be going in the next year. Tommy said it has been hinted that rates might rise in the second quarter, but not necessarily; he added that rate hikes indicate the economy is doing better and this will reflect on the stock side. The economy is robust compared to a year ago, but not growing as fast. He discussed fixed income markets and 10-year bond yield, showing that interest rates for bond investing has risen. After corporate bond spreads spiked during the pandemic, this year it is stable. He highlighted fixed income analytics, which are less sensitive to rates going up or down (HTM is taking slightly less interest rate risk than the benchmark). HTM's portfolio is overweight on equity, and underweight on fixed income. The outlook for equity indicates that equities will outperform fixed income.

The discussion turned to ESG and good corporate citizenry. It was commented that part of being a good corporate citizen from an environmental perspective is not investing in companies that are bad for the environment. ESG frameworks are part of JF's investment philosophy, and are a part of every investment decision they make. Yet, ESG is not entirely exclusionary, since investing in an oil company, for example, who invests themselves in renewable energy, may be a good decision. ESG stocks must also be assessed to be good stocks. Investors can make their voices known to promote good behavior on the part of

companies, or it is the investors' option to sell the stock. This is a relatively new investment philosophy that companies are grappling with, and it depends on the clients' wants.

The board broke for lunch.

Following lunch, an in-camera session was held.

Committees

Dave went over the committee rosters, including a new fifth committee on governance. The board reviewed the members of each committee, which will be in place for the balance of this year plus next year.

MOTION: *"to approve the committee members for 2021 to 2023."*

Mover: Allan

Secunder: Richard

Carried.

Pearson Insurance

Steve Grant joined the meeting via Zoom to review the draft agreement for the purchase of Pearson Insurance. He highlighted the contract. The purchase price is decided on \$1.195 million and the amount paid on closing would be \$1.059 million. (At this point, Brian Kehoe joined the meeting on Zoom.) The purchase price will be adjusted if the working capital differs, which is the reason to have a "holdback" of \$100,000. Also, in the event of unforeseen issues, HTM can deduct those expenses from the holdback (for 13 months).

Regarding the contingent profit commission, the board noted the contract should state there should be a contingent profit commission of 75% for 2022, not 2023. Prior to closing, Pearson Insurance will give HTM access to all their books and records and notices from FSRA, will conduct business prior to closing in the ordinary course, and will pay any taxes owing up to the date of closing. In regards to section 4.11, Key Employees, Alec indicated the years in this section should be 2022, not 2023. To a question on "good faith," Steve said there is expectation of truthful warranties and representations; they won't be able to do business with anyone else because they are agents of HTM, and Tim cannot compete with Pearson or HTM.

Brian and Steve discussed "winding down" Pearson Insurance, which involves transferring the assets to HTM. In regards to income tax, Brian noted, HTM will acquire control for tax purposes. In addition, HTM will want to leave Pearson Insurance as a shell, legally existing, until there has been enough time (at least a year) for potential problems to arise. Steve asked if it would make more sense to have Tim's employment contract with HTM directly instead of Pearson, to which Brian replied it probably would, since HTM should be taking over everything. Brian discussed financial statement reporting, first with a subsidiary company and then as an amalgamated company within a year. Brian said he would do an estimate of wind-up costs; on the legal side, Steve advised the cost would be under \$1,000. Alec asked if

there were any further recommendations. Both said the contract was standard and no, they would not recommend including anything else.

Steve and Brian signed off of Zoom.

Tim's role in the company was discussed. He will receive a wage, and as for a job description, Alec said they are developing something basic. Tim will be there primarily for public relations and as support for Cameron and Amanda. It was asked if finalizing the contract was time-sensitive for the end of this year, to which Alec said that was the timing that had been discussed with Tim and it was good to keep the matter moving along. It was discussed that Wilkinson & Co. will be checking the taxes to ensure HTM will be starting with a clean slate, as well as if the holdback should be \$200,000. It was asked at what point we tell customers that it is HTM and no longer Pearson? Alec advised that there will be marketing around the closing date.

Previously mentioned revisions for the contract were reiterated, including that the lease amount for the office should be added in.

MOTION: *"to approve the draft agreement with amendments to assist Alec to move forward with the final purchase of Pearson Insurance."*

Mover: John

Secunder: Allan

Carried.

Financial Report and Statistics

Alec reported on the financials and statistics to October 31, 2021. He highlighted the policy count (year to date) by policy class with a budget comparison, the premiums year to date, gross claims year to date, and claims incurred by policy class. Using the Click Sense product, Alec outlined claims incurred by activity amounts. There is a total of \$7.5 million in claims incurred, and after reinsurance, the figure is \$6.8 million. Alec went over MCT Ratios, noting the budget was overly conservative and made with the worst case scenario in mind. MCT test keeps increasing, so even if capital has gone up, the score could still not look very good. Reserves and reinsurance are the largest unknowns.

The Balance Sheet as at October 31st shows that total assets are up 8.4% and outstanding claims have dropped. The Income Statement shows that net premiums earned are up 6.8%; Alec noted last year was a great year and this year is even better. Policy acquisition costs are at \$6.4 million after being properly allocated. General expenses are up 7.6%, underwriting profit is at \$7.3 million, and net profit is up 51.6%. The Income Statement to October 31st shows that general expenses are up 7.6%. The Balance Sheet as at Oct. 31 shows that outstanding claims are at \$23 million (from all the years past).

The Income Statement compared to budget shows that premiums are off budget by 3.8%, net premiums earned are 1.6% off budget, net claims incurred are 47.5% off budget, and underwriting profit is significantly off budget at \$7.3 million. Donations will be over budget, due to unplanned donations.

It was asked if there is a Purchases and Sales report. Alec said he would get it from Donna.

MOTION: *“to approve the financial report as presented.”*

Mover: Van

Seconder: Nancy

Carried.

Other Business

In regards to the Christmas gift for staff, Alec suggested it should not reflect financial performance and should be kept fairly standard; but the amount will be up to the board. It will be discussed in-camera.

The board then discussed the donation request made from Campbellford Memorial Hospital for the amount of \$25,000 to go towards the purchase of a new incubator.

MOTION: *“to approve the donation of \$25,000 to Campbellford Memorial Hospital.”*

Mover: John

Seconder: Richard

Discussion: while this would not be in the budget, such donations have been made before, and Campbellford is in the heart of HTM’s business. Because of HTM’s very good year, making this donation is possible and would be appreciated in the community.

Carried.

The board discussed Richard’s donation proposal for Farm Town. The board decided to donate \$2,000.

Allan asked regarding a donation towards firefighters mental health efforts. Nancy commented that if we are donating to the same people as last year, it should be coordinated; she also asked if directors can make donations to three organizations again this year. Dave suggested this be put off to the December meeting so that a report of who the directors donated to last year could be reviewed.

The board decided on a date for the Audit Committee meeting: December 6 at 10:00 (in-person in the office).

It was asked if HTM will be giving presents to kids and grandkids while not having a children’s Christmas party this year. Alec said they would need to figure out distribution, and he will discuss with social committee. A suggestions was made for gift cards this year.

Adjournment

MOTION: *“to declare the meeting adjourned.”*

Mover: Allen

Seconder: Richard

Carried.

The board resumed their in-camera session.

Date

Dave Rutherford, Chair

Alec Harmer, Secretary