

7/15/2021

**ATENDING DIRECTORS:**

Dave Rutherford, Chair

Nancy Brown, Vice-Chair

Richard Barrett, 2nd Vice-Chair

Allan Sheppard, Past Chair

Bruce Buttar, Director

Van Darling, Director

Bill Dorland, Director

John Kernaghan, Director

**ATENDING STAFF:**

Alec Harmer, President

Warren Ting, VP Underwriting

Christine Howe, VP Business Development

Donna White, VP Finance

Steve O’Connell, VP Claims

Bryce Clarke, VP Loss Prevention

**REGRETS:**

Bob Burley, Director

Barbara Dinnage

recording secretary

Board Meeting

Minutes of July 15, 2021

##### 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 9:37 a.m. Dave welcomed everyone to our first in person meeting in several months. Dave advised everyone that he has spoke to Bob and that Pat was not well and that he passed on that we are all keeping them in our thoughts. The Mission and Vision statements we read together as a group, and asked if there was a conflict of interest. There was none.

The summary agenda was presented.

**Motion**: *“to approve the agenda as distributed.”*

Mover: Van Seconder: Nancy

Carried

It was asked if under Other Business that an update from the Nominating Committee be given by Nancy.

# Consent Agenda Documents

The consent agenda items were as follows:

* Minutes of the previous board meeting
* OMIA Report
* FMGF Update AGM Notice
* Collectivfide Press Release
* Management Reports
* Service Standards

Dave reported that Van has been appointed to the OMIA Nominating Committee for the position of Director at Large that is open. Dave congratulated Van and advise everyone that in selecting the committee Van was highly recommended to join the group.

It was asked that we put together for the August Planning Meeting the cost of an agent acquisition versus a broker acquisition.

It was noted that advertising was being heard on local radio station in Belleville between Commonwell and Ontario Insurance Network. We should look at our advertising in this area.

Van inquired as to why the OMIA report included the pension report from last year. He was advised that it usually takes 6 months for full reports to be released after year end.

In reviewing the financial reports for the end of May growth was at 3.3% and that it appears to have rebounded to 6% at the end of June.

Van asked if we should be concerned about Collectivfide hiring staff. Alec explained that now that they have acquired 4 brokerages and their staff these hires could be replacements for existing staff within those brokerages. Also, it was noted that another mutual has joined the Collectivfide group.

**Motion**: *“to approve consent agenda items as distributed.”*

Mover: Allan Seconder: Richard

Carried.

# Management Presentation

Alec lead the management presentations, he updated on the Pandemic. At this time, our doors remain locked to the public. Our staff our continuing with the COVID questionnaire to be completed when coming into the office, as well as temperature checks. Everyone in the building continues with wearing masks. We have now added the Rapid Tests to our prevention tools. At this time, it is still unclear if we can legally ask staff if they are vaccinated. OMIA is getting a legal opinion on what we can ask. Moving forward we expect to have some sort of a hybrid of in office and work from home. We are still scheduling the staff in the office in order to control the numbers each day. Alec reported that we experienced a Website Payment Attack. The occurred over the weekend of July 10th. There wasn’t a breach, no loss and no cost to anyone. We are now looking at more security. Our website payments were back up and running by July 13th. Alec reported that looking ahead to the August Strategic Planning session, we will be involving the staff in a virtual meting prior to our Director/Management session. We are planning on holding the meeting in person at the Best Western. We will be looking at refreshing the current Strategic Plan document and S.W.O.T. analysis. Alec compared the HTM results to the results of all mutuals. He reviewed growth, claims and loss ratios.

Barb presented the next management report. An update was given that the Accessibility Compliance Report had been completed and submitted to the Ontario Government. We are in compliance in all areas. A review of the completion of the Cognition + implementations in the underwriting department was given now that all 4 lines are completed. Barb continues to work with the Nominating Committee. All of the candidate has been mailed a package. The purge and shred of documents has been completed for this year. The next steps will be working towards a process to purge electronic information. Barb will be continuing with supporting the training of staff in underwriting as duties shift and cross training continues. Looking ahead, it is expected that exciting times are ahead for the upcoming Strategic Planning Session for HTM. The goal of completing to compliance calendar continues on through this year as we continue to track monthly requirements.

Donna gave a summary on the completion of the Cognition + set up in underwriting. Donna is working toward the Central Repository. The framework for this project is complete. Jennifer Coghill celebrated 5 years with HTM and the Admin department celebrated with an outdoor lunch. April Sendal completed her CIAA accounting course and congratulations to her on the accomplishment. Donna is preparing for IFRS 17. Cognition + and Qlik sense are working on the project to allow financial statement to be prepared in the IFRS format. Donna continues to work on the research into a new phone system. This is a goal to complete for the fourth quarter. Donna will begin the Website review project. Also, in regards to the Central Repository the admin department will start populating documents.

Donna reviewed the financial statements to June 30, 2021. The balance sheet is showing a surplus of $42,737,315 which is an increase of 19% over last year. The income statement shows an underwriting profit of $5,841,014. This is up 147.1% over last year. The net profit is $5,096,956. This is an excellent result. Donna continued showing a comparison of the balance sheet as of June 30th compared to the budgeted balance sheet that had to be created for government reporting. Some numbers are extremely challenging to estimate especially when we have remarkable results such as we have had year to date. Our results year to date are extremely close to budget for revenues and general expenses. Our general expenses are under budget by 2%. Travel, advertising and conventions are all below budget as we had thought that we would have been able to get back to our pre pandemic activities earlier.

Motion: “to approve the financial report to June 30th.”

Mover: John Seconder: Allan

Carried.

The next manager to report was Warren. He also commented on the Cognition + implementation being completed in underwriting. He mentioned the new staff, Nick and Katherine are progressing well and we hope to have a long term relationship with them. Warren continues to be a member of the ARFC and is now part of the OMAP organizing committee. Warren participated virtually in the Manager’s convention in June. Warren reporting the completion of the CIAA accounting course. Warren review overall policy counts and premiums written by line for the end of June. He highlighted the new policy counts and premiums written for the end of June as well. Farm had the biggest growth over last year being up by 75.4%. Auto decreased by 17.1%, Property decreased by 4.1% and Commercial decreased by 3.8%. These results are attributed to having our farm department fully staffed this year. Once health restrictions ease we expect to be visiting brokers and providing training in the farm line. Our auto had decreased during the pandemic due to class reductions and suspending coverage or deleting vehicles all together. Commercial businesses suffered and in some cases closed as a result of the pandemic. The gross loss ratio is 18.1% and we are very happy with the first 6 months of the year growth. Looking forward Warren is planning on continuing to develop training videos for staff. The underwriting department is transitioning for the upcoming maternity leave. Warren and Steve are working on a review of wordings and the underwriting manual. Warren has entered into an agreement with the underwriting manager at K & E Mutual to do a file audit between our 2 companies. Warren is on the hiring committee for the OMAP VP position.

Steve presented an update, looking back Melody joined the claims department as an adjuster. She is busy training and with education sessions as well as adjusting a variety of claims. Steve advised that the claims department has been approached by an adjuster from another mutual that will be moving to this area in the next year. Having reviewed her resume and met informally when she was in the vicinity, our interest is mutual. They planned to meet again once her timeline becomes clear. YTD New claim counts are running below plan in all business lines, and under 2020 in all Policy classes save Commercial. We have booked 261 first half claims – compared to 325 over the same period last year. The corresponding Gross Claims Incurred numbers are excellent; posting below budget and 2020 across all lines. Steve report year to date losses in liability in the auto claims class. The corresponding Gross Claims Incurred numbers are excellent; posting below budget and 2020 across all lines. Steve reported that he continues to work on the HR project. Job descriptions are being looked at and updated as necessary.

Steve reported on staff claims while he was present at the meeting.

Owen & Amy Merrill – 2016 Jeep Hit a deer DOL June 26, 2021

Appraisal $6,281 less $500 deductible + Loss of use. Reserve amount $9,235

Bryce & Brenda Clarke – Equipment breakdown Refrigerator

Home System Protection coverage DOL June 30, 2021 Reserve amount $2,000

Rose & Greg Clarke – 2011 Polaris Hit a stump DOL April 24, 2021

Total Loss $8,500 + HST less $500 ded salvage recovered $2,073 Net amount $7,020 Reserve amount $7,500

Motion: “to approve claims as presented.”

Mover: Bill Seconder: Nancy

Carried

Christine gave her report, starting with looking back, she updated on the Consumer Portal and the testing that had taken place. The Q2 auditing of the agents has taken place and very few flags were found. Christine has been contacting the brokers/agents and encouraging the use of the marketing dollars and donations. Christine reviewed the top and bottom 5 brokers up to June 30th. It was noted that the HTM staff account was showing in results and it is a very small portfolio. Discussion took place that looking ahead we will move policies over to our agents portfolios. Christine continue to report on our overall book of business by policy class in regards to retention. Overall we are at 91.2% and the agents are at 94.1%. Loss rations were shown by broker/agents and there are only 4 broker is the area of concern. All 4 are small portfolios and a single claim can affect the overall loss ratio for their portfolio. Looking forward Christine will be having touch point meetings with the brokers. Christine is planning an in person meeting with the agents in early August. She is continuing to work on the Consumer Portal and expect a soft launch in August on 2021. Wellness committee initiatives continue to take place. Meetings will also continue to take place for the Pearson Insurance purchase. Investigation will continue into developing a sales website.

Bryce reported that inspection continued in the past quarter to be on and off due to lockdowns in the province. The virtual inspection tool is being used. Inspections on Country Farm properties has now resumed. During Q2 164 inspections were completed and of those 67 had recommendations. Bryce shared some photos of some of the areas of concern found. Looking forward, now that the province is entering stage 3 reopening full farm inspections will resume, followed by commercial inspections. Discussions are taking place that interior inspections will resume. Bryce updated on the Cross training project. Bryce has collected information from each department and will be breaking down subject for cross training. It is expected this will occur in the fall.

# Planning Session

Alec advised that we will be holding a virtual session with Gary and the staff to get their feedback. A survey to the staff will be sent out in order to collect thoughts from everyone. The strategic planning document will be updated. Alec has arranged for 3 virtual speakers for the first day of the August session. John Taylor will give an OMIA update. Kevin Cameron will update from Farm Re on rate changed and what is happening outside of the mutual world. The CEO of Cognition + will give an update on the direction Cognition + is going and competitors and what they are doing with technology. Each of these speakers will be a maximum of 15 minutes.

It was asked What do directors want to see?

They would like a review of where we are at. Has COVID changed our mindset? They want to be sure everyone has a chance to talk. Gary’s duties are to make sure each person is heard from and record he contents of the meeting. Emerging issues: How to move forward? Get examples of how others handle situations. How are we prepared to move forward to future challenges? Staff will generate some topics for the

The August board meeting will review the old plan to prepare for the Strategic Planning Meeting.

# President’s Report: Statistics

Alec outlined policy count for year to date, which have gone up. He went over premiums written for year to date; the budget and current year is fairly close, although they are struggling with auto line of business, which is under budget. Auto makes up 25-26% of premiums written, which is good.

For Claim Count Year to Date, it is trending downwards. For Gross Claims Incurred Year to Date, there is some impact from last year, but there has been some improvement in residential, down in farm, commercial is trending even better, and auto has markedly dropped this year. For Gross Loss Ratio Year to Date, every line of business is outperforming the budget.

Alec gave a mutual comparison Year to Date. Mutuals write 567,622 policies, while HTM writes 20,528, which represents 3.6% of total mutual policy count. Cancelled policy count is down 1.5% for mutuals and up 20.4% for HTM, which some of the difference can be attributed to system differences. Mutual’s are up 3.0% for premiums written, while HTM is up 3.4%.

|  |  |  |
| --- | --- | --- |
|  | Mutuals Growth | HTM Growth |
| Claim Count | 15.0% | 2.7% |
| Claims Incurred | 8.4% | 60.8% |
| Loss Ratio | 13.8% | 63.0% |

He then gave numbers for same comparisons, except for only auto line of business and then for all non-auto lines of business.

It was asked what the percentage of clients was who held both property and auto policies. Alec said it was approximately 25-30%. Alec mentioned Mutuals are concerned that we are not retaining good customers because of rating. There is potential to write more business, but we are struggling to find our auto niche, which is why we are doing rating and product development projects to attract and retain auto business. While HTM has never had a goal to grow bigger in auto, Alec doesn’t want to go backwards either.

# President’s Report: Financials

Prior to reviewing the financial report, Alec provided the board with a report on the impact of being off on the budget with respect to premiums written. This is an area of the budget the company was not hitting, but the overall offsetting affect of unearned premiums and reinsurance costs help minimize the impact.

Highlights from the Balance Sheet included:

* Assets: 84,944,697 this year from 75,735,220 last year, up 12.2%
* Liabilities: up 8.3% to 43,293,123 this year from 39,965,065
* Surplus: up 16.4%

Highlights from the Income Statement included:

* Reinsurance is up 5.6%
* Gross Claims Adjusting Incurred: 2,969,408 incurred compared to 4,713,291 last year (37%)
* Policy Acquisition Expenses up 8.9%
* All other expenses dropped 7.5%
* General expenses are 4.8 million compared to 4.7 million last year
* Investment Income down 52%
* Directors fees are up 18.7%, but include benefits in the 2021 figures
* Professional fees are up 95.5%
* Salaries and benefits are down 13%, but some costs have been reallocated to other areas
* Advertisements and Donations are down 71.2%
* Technology is up 32%

Van asked how much cash there was; Alec saidcash is back up to year end amounts due to the positive financial results**.** It was asked if these financial reports will be sent out to the board, along with notes and analysis. Alec said yes.

**Motion**: *“to approve the financial reports as presented.”*

Mover: Bruce Seconder: John

Carried.

The group took a break at 10:52.

# Special Projects

Alec presented some special projects he has invested in.

**Project One**: Partner with Cognition and through the Qlik Sense product, add inspection reporting.

This will allow us to gather data on inspections, helping us to understand timing as well as impact on underwriting. This will require a one-time investment of $30,000. There was a discussion on the time required for underwriting to review a completed inspection, and if this system will help shorten that time; it will not in the short-term, but it will be easier to keep track. Alec said it would be beneficial for other mutuals, but currently it’s an HTM-only project. Alec said it would put the computer budget up, but other areas would compensate. It will be expensed in 2021 since this year is financially good.

**Project Two**: Partner with other mutuals to investigate the “Smart Home” and devices that would monitor the health of the house.

This will improve loss results, have a rating impact, service enhancement, and be an opportunity for innovation. This requires an investment up to $5,000.

**Project Three**: Partner with other over 12 other mutuals, Farm Mutual Re and Collectivfide to create a program for high-valued homes.

This will overcome restriction in reinsurance limits, provide options for small brokerages, provide opportunity for our agents, and keep the clients in the mutual family. This requires an investment up to $9,000. There was a discussion on why the insured wouldn’t move all their business to where their high-valued home is; Alec said companies that specialize in high value homes don’t necessarily want farm, cottage or auto. Alec said this would be a small investment to find out if this is a good solution, and will benefit agents and smaller brokers.

No motion is required on granting funds for these projects. There was a discussion on the procedures and if Alec is authorized under a certain amount. Alec said he should have brought the inspections project to the board, but the smaller ones are less significant investments.

**Project Four**: Partner with Farm Mutual Re and other mutual to start down the path of benchmark rating.

This will involve scoring our portfolio using a risk profile basis, next would be to incorporate scoring in rating, and can be used for claims as well. This takes an investment in $10-15,000 range. HTM would still be competing with other mutuals, but within a smaller band. Alec advised that the farm line may never happen and right now it is only homes; we will insure risks well across the band and premiums that reflect that, so that we are both profitable and competitive. This project will fall into 2022. At least half of mutuals support this project. There was a discussion on portfolio review, if we will choose to use the analysis provided to us, and the timing of these special projects.

# Pearson Purchase

Alec presented a timeline for the purchase of Pearson Insurance:

Oct. 31, 2021: Negotiate

January 1, 2022: Transition

June 30, 2022: Purchase

Alec informed the board that he and Christine met with Tim Pearson and they’ve had a preliminary discussion on price. Stephen Grant is creating a contract for the purchase, and Brian Kehoe will be consulted on accounting and taxes. For determining the final purchase price, the value of the portfolio must be determined, and adjust purchase price based on the balance sheet. The transition will involve hiring Amanda as an agent and taking Cameron on fully. The building will be leased for two years, which will help with the transition, and by then they will have an agents’ website that focuses on sales.

There was a discussion on Amanda’s role going forward. There is a definite expectation that she will be hired as an agent; she will be interviewed and be made an offer based on that.

There was a discussion on office administration and the factors that determine retention.

It was indicated there would be more meetings with Tim, the next one likely being mid-July but depends slightly on the lawyer’s input. It was advised that the money for the purchase will be paid out over a 10-year term.

# Other Business

**Director Opportunity**

Alec told of the board of an opportunity to be on the FM Re board of directors. It would entail more time away from the office, which would open up more opportunity for others to have leadership roles. He recommends they discuss it in their in-camera session, and they said they would.

**Benefits of Moving Normal Board Meeting Day**

The board discussed moving the board meeting day to the third Thursday of the month, which would allow for more detailed financial reports. The directors agreed, and it was recommended this begins at next month’s meeting, which will be July 15.

**Directors’ Fees (updated page)**

Alec provided more detail on this aspect of the package, and the directors said they like the change.

**July Meeting**

Alec asked the board if they would consider an in-person July meeting if conditions allow for it. They discussed whether to use the community room or if a large meeting room at the Best Western should be used. It was decided that if we can do it safely, the community room would be preferred.

**May Survey**

They would do this in the in-camera session.

Nancy also asked if dates have been confirmed for the planning meeting. Alec said he has put aside the 25th and 26th, but would be good to confirm whether in-person will be available.

# Adjournment of the Meeting

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

Mover: Allan Seconder: Nancy

Carried.

The meeting was adjourned at 12:52pm. An in-camera session followed.

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  
Date

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  
Dave Rutherford, Chair

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  
Alec Harmer, Secretary