



2022

BUDGET

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Summary

The Income/Expense budget has been prepared in consultation with the management team and with considerations to the marketplace, our strategic direction, opportunities and realities of our environment. It is intended to represent a conservative estimate of the financial performance of the organization in 2022.

The Balance Sheet budget has been prepared to meet regulators requirements for 2021. In determining the values we were able to leverage the Income/Expense budget. It is intended to represent a conservative estimate of the financial position of the organization at the end of each month in 2022.

A budget cannot anticipate every risk or every opportunity that presents itself through the year and the board may have to make strategic decisions during the year that have not been incorporated into the budget.

Estimates

Every budget is an estimate of the future. Each category in the budget has its own element of “control” by the company. For instance, the premium category has a moderate control. We control the rates, underwriting guidelines and can acquire or remove broker portfolios. On the other hand, the marketplace and our broker plant have considerable influence on how much premium (renewal, new and cancelled) the company will receive, regardless of our elements of control. This being said, we have a fairly high level of accuracy when determining the “net premiums earned”, which is the outcome of premiums written. If estimated premiums are too high, our earned premiums will only be too high by half that amount and our corresponding reinsurance costs will be too high, further reducing the difference until we get to the “net earned premium” figure.

The claim category has no control. As a company the size of HTM, claims count and claims incurred figures are too variable from one year to the next. All we can do is look at prior year activity and consider future possibilities.

Even many general expenses are beyond our control when it comes to assigning a number to them. Many organizations that we are billed by are entwined in HTM and our demand for their services is inelastic. In other words, we have to pay for them regardless of any price changes. This is true for organizations like OMIA, Cognition+ and Government bodies as examples. We estimate their costs using inflation type factors or in cases of “usage” based fees, an estimate in how much change in HTM’s use will occur in the budget year.

Variances to the Budget based on premiums (in 000's)

The chart below shows the Budget we are putting forward in the first column with Premium growth @ 7.9%. Comparisons are given with the middle column representing a growth of only 4.9% and the last column showing a growth rate of 10.9%; a variance of 3% in either direction. All other cost, not directly related to premiums staying the same as well as claim estimates. It might be natural to assume a higher growth rate as shown in Column three, may lead to higher claims as well. This really depends on how much growth is caused by rate versus additional policy counts.

<i>Category</i>	Budget 2022	Premiums end up low by 3 points	Premiums end up high by 3 points
<i>Premiums</i>	37,893,536	36,829,680	38,957,393
<i>Net Earned Premium</i>	31,905,007	31,388,007	32,352,578
<i>Net Claims</i>	16,105,497	15,863,914	16,347,079
<i>General Expenses</i>	13,921,751	13,828,425	14,015,075
<i>Underwriting Income / Loss</i>	1,877,760	1,695,668	1,990,424

Every budget is an estimate of the future. The balance sheet can fluctuate much more than the income statement. Take into consideration claims incurred:

	<i>Possibility 1</i>	<i>Possibility 2</i>	<i>Possibility 3</i>
<i>Paid Claims</i>	10,000,000	15,700,000	24,000,000
<i>Change in Reserves</i>	7,700,000	2,000,000	(6,300,000)
<i>Claims Incurred</i>	17,700,000	17,700,000	\$17,700,000

Our Gross Claims Incurred budget is \$17,700,000 and all three scenarios above would show our budget on the income/expense report to be right on. However on the balance sheet, the above figures have a very different impact. In #1, this means we are cash flush with excess ending up in investments, however our unpaid claims increase significantly. This would have an impact on IBNR at year end as well as the calculation of MCT, making our ratio go down. Possibility #2, which is closer to the normal scenario, would have the bank account handling the payouts and unpaid claims increasing with growth of the business. Depending on the class of business the change in reserves occur, MCT could go slightly higher or lower. Possibility 3 has us dipping into our investments for some extra cash. On the other hand, with claims reserves going lower, it's likely IBNR will reduce and MCT will improve.

Our process was started with every item on the balance sheet that we could budget with the highest accuracy. For example, the amount for our “land” will not change. The building will not have any capital expenses, so that will not change and we can determine the depreciation on a monthly basis with 100% accuracy. Then we moved on to the next area of balance sheet items that were already calculated with the income statement budget. For example, to determine the change in unearned premium on the income statement, we had to calculate the UEP at the start of the year and the end of the year. We used those figures and premium patterns on a monthly basis to determine the change in unearned premium, which would then impact the UEP on the balance sheet. Other balance sheet items were based on historical fluctuations on a month by month basis and finally what was left over flowed through the cash accounts.

Ultimately, each and every line item in our trial balance was looked at individually and calculated based on the above methodology.

Budget reflecting our Strategic Plan

In our strategic plan, we have a number of financial targets and action items that may affect the budget because of the need for a financial investment in the action item.

We have six strategic themes.

People

There are two major contributors to the salary budget area; succession and new position. We have two positions to replace, one in Q2 of 2022 (admin) that is going to be replaced by a senior accounting person. There’s a slightly higher salary commanded for the person we are looking for as well as overlap for job shadowing and training. A second replacement will not occur in 2022, but will require a hire in 2022, and that’s our VP of Finance. This complex role will require overlap of at least 6 months to ensure a smooth transition. In addition, our VP Finance is our strongest IT resource when it comes to user setup and administration of the Cognition+ platform. This is where the new position of Business Analyst comes in. This individual will have a strong command of technology from a user perspective as well as an excellent understanding of insurance company processes.

In addition, we have added another inspector starting in July of 2022. We are going to take the first 6 months of 2022 to determine the inspection needs of the organization and how best to meet those needs. If an additional inspector is not seen as the most beneficial, we will not make the hire. The resources in the inspection department have not grown at the pace of the portfolio.

Our staff will look like this:

Department	End of 2021	New Positions	New People	Retiring	End of 2022
Admin	8	Business Analyst	Senior Analyst (Q1 of 2022) VP Finance (Q3 of 2022)	Senior Analyst (Q2 of 2022) VP of Finance (Q2 of 2023)	10 (back to 9 in 2023)
Sales	4		New Agent (May 2022)		5
Loss Prevention	6		New Inspector (July 2022) *		7
Claims	5				5
Underwriting	15				15
Total	38	1	4	1	42

* We are investigating the challenge around inspections and any alternatives before considering hiring.

Growth

We have target growth of premiums between 4% and 8% and 10 to 15% for our agents. This target is reflected in our budget with overall premiums estimated at a 6.8% increase.

This increase will be achieved through:

1. Inflation on buildings at 5-6%
2. Minor rate adjustments
3. Introduction of new policy upload for brokers increasing ease of business \$135,000.
4. Agency website & promotion \$80,000.

We have a target for our surplus growth and we have budgeted for a 95% combined ratio. This will vary with claims as we have seen over the last few years.

This increase will be achieved through:

1. New underwriting guidelines
2. Points 1 & 2 on premium growth
3. Investment in loss prevention
4. Continued pandemic environment creating more work from home and less travel

Channels

Nothing is required in our budget for this strategic them area. A broker purchase is not contemplated other than the Pearson Agency, which is included in the budget.

Technology

Enhancing our policyholder and business customer service through the use of technology requires investments. We have included \$135,000 to cover broker upload of new business. The consumer portal and agent access is included in the Cognition+ platform.

We are also investing \$30,000 in a new company website and secure portal, which our brokers and directors use. Our current platform is not keeping up with our expectations and downtime has been an issue from time to time.

Farm Mutual Re's new platform increase our costs by \$18,000 for the inspection program.

Products and Services

There's no significant investment required in this area. Clearpay is an implementation of less than \$10,000 and immediately starts to save us money in cheques and improves customer services.

ESG

Approximately \$10,000 has been included to bring in support for governance training for management and the board.

Capital Budget

These are the fixed assets, mainly office equipment and computer equipment that we feel necessary to be purchased in the coming year. For 2022, we have no specific capital purchases targeted. While we say that, we know that during the year, we will have the need for a new piece of equipment from time to time. Anything of significance over budget would come to the board with the exception of the replacement of a current item that unexpectedly breaks down and is essential to be replaced.

Capital Expenses for 2022

Month	Description	Purchases			Depreciation in Period			Future Annual Depreciation		
		Building	Equipment	Computer	Building	Equipment	Computer	Building	Equipment	Computer
January	New Hardware			50,000			8,325	0	0	16,650
January	New Equipment		50,000			2,500		0	5,000	0
								0	0	0
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		0	50,000	50,000	0	2,500	8,325	0	5,000	16,650

	Depreciation	New Depreciation	Final Depreciation
Building	140,880	0	140,880
Building Components	32,280	0	32,280
Equipment	80,104	2,500	82,604
Computer	125,659	8,325	133,984
	378,923	10,825	389,748

Net Premiums Earned

This report shows details on our premium income, including policy counts and percentage each line of business is relative to the total premiums. In addition, it provides you with the change in unearned premium (UEP). The change in UEP is approximately 51% of the premium volume increase from 2021 to 2022. We estimate our premium written will increase by approximately \$2.2 million and 51% of this new premium (\$1,127,713 on the report) will not be earned in 2022.

Our net premiums earned, which is what we have to pay our claims and expenses will increase by about \$1.5 million or 5.5%.

Premiums are projected for the current year by analyzing the remainder of the year and making an estimate based on future activity. In determining premiums we analyzed the last five years by month by line of business (Farm, Auto, Personal and Commercial) to see patterns of growth. We then combine this with marketplace factors and make assumptions for the coming year.

In general terms:

1. We see COVID still being a factor for 2022
2. Premiums will remain low in auto
3. Premiums on homes for water coverage will be altered but more focus will be on claim reduction in water than increased revenue. This will be done by deductibles, sub-limits or restrictions in full coverage. Approximately 15% of policies may have some modification to them.
4. Commercial growth will be negatively impacted by the economic environment but positively impacted by the stock insurance company activities.

There are two referential documents on premiums:

- Policy Counts
- Policy Premiums

The highlights for policies are as follows:

- Increase in policy counts of 0.6%. We see the continuing challenges of the 2021 environment creeping over into 2022. A hardening of the market by stock companies could change this.
- Premiums will increase overall by approximately 6.9% (before Facility figures are added). This will be led by residential and farm due mainly to the inflation on buildings which form the most significant portion of the premiums.
- We don't anticipate losing or acquiring portfolios in 2021.

Once premium income has been determined, we can estimate the likely earned premium and base our reinsurance on that. Reinsurance on property has increased significantly as was discussed with the board, but increases in retention have helped offset a portion of the increase. Still reinsurance is increasing by almost 10%.

There is one referential document on reinsurance:

➤ Reinsurance Premiums 2022

The highlights for reinsurance are as follows:

- Increase in reinsurance expenses by 9.5% or \$625,000. This increase is caused by both rates and premium volumes.
- Increases in property is part of FM Re's path to profitability, which is an area of concern for them. Base rate increases could not be offset by a reasonable increase in retention. Auto rates remained stable through the increase in retention and liability dropped. Unfortunately, liability is the smallest line and therefore the impact of the rate reduction was not significant

Net Premiums Earned

GROSS PREMIUMS WRITTEN	Policy #'s	Projected 2021	Policy #'s	Budget 2022	% Change		
					Policy \$	Policy #	% of Total Premium
Automobile	5,613	8,192,770	5,641	8,438,553	3.0%	0.5%	22.3%
Commercial	1,839	4,470,141	1,857	4,783,051	7.0%	1.0%	12.6%
Personal	10,220	13,850,694	10,271	15,097,256	9.0%	0.5%	39.8%
Farm	<u>2,800</u>	<u>8,948,295</u>	<u>2,828</u>	<u>9,574,676</u>	<u>7.0%</u>	<u>1.0%</u>	<u>25.3%</u>
Total Direct Written	20,472	35,461,900	20,598	37,893,536	6.9%	0.6%	100.0%
Facility Automobile		<u>251,000</u>		<u>260,000</u>	<u>3.6%</u>		
		<u>35,712,900</u>		<u>38,153,536</u>	<u>6.8%</u>		
Increase in Unearned Premium		<u>916,727</u>		<u>1,240,134</u>	<u>35.3%</u>		
Gross Earned Premium		34,796,173		36,913,402	6.1%		
Reinsurance Premiums Ceded		<u>5,044,791</u>		<u>5,525,394</u>	<u>9.5%</u>		
NET PREMIUMS EARNED		<u>29,751,381</u>		<u>31,388,007</u>	<u>5.5%</u>		

Net Claims Incurred

Our largest expense is our claims. We analyzed the last five years of claims, both in numbers and in dollars, by line of business. We did this on a Gross basis, which is the “ground up” claims and we did it for all the claims that impacted our excess reinsurance treaty.

By reviewing the reports attached, you will see that there is very little pattern to go by for claims. We considered averages from past experience, growth in policies, the marketplace including trends in claims.

There are four referential documents on claims:

- Claim counts
- Gross Claims Incurred
- Reinsurance Claim Counts
- Reinsurance Claims Incurred

The highlights for claims are as follows:

- Increase in counts of 277 over a historically low year. The larger increases are on personal lines and auto. It also anticipates more storm activity than 2021, which up to budget time was almost nil.
- Gross claims incurred increasing by \$6.7 million over 2021 for a total incurred of \$17.7 million. While we are not booking for a poor of a year as 2020, we are being conservative and anticipating “business as usual”.
- Only two claims hit retention in 2021. Other claims shown are for specialty coverages that are reinsured from dollar one, such as boiler insurance.

Net claims shown in the report equate to a net loss ratio of 50.5%.

Net Claims Incurred

GROSS CLAIMS INCURRED	Claims #'s	Projected 2021	Claims #'s	Budget 2022	% Change		Gross Loss Ratio
					Claim \$	Claim #	
Automobile	291	2,035,006	375	4,000,000	96.6%	28.9%	48.1%
Commercial	27	1,033,787	45	1,000,000	-3.3%	66.7%	21.6%
Personal	196	3,551,845	325	9,200,000	159.0%	65.8%	63.6%
Farm	84	2,741,535	130	3,500,000	27.7%	54.8%	37.8%
Total	598	9,362,173	875	17,700,000	89.1%	46.3%	48.3%
INTERNAL ADJUSTING & OTHER							
Internal Adjusting Expenses		483,390		496,497	2.7%		
Facility Association & Other		555,001		609,000	9.7%		
Total		1,038,391		1,105,497	6.5%		
REINSURANCE CEDED							
Automobile	1	0	2	500,000	0.0%		
Commercial	0	0	1	200,000	0.0%		
Residential	6	0	4	1,000,000	0.0%		
Farm	3	600,000	2	1,000,000	66.7%		
Total	10	600,000	9	2,700,000	350.0%		
NET CLAIMS INCURRED		9,800,564		16,105,497	64.3%		

Direct Commission Expenses

This report shows commissions by line of business. Once we have estimated our premiums we can apply the commission rates to determine actual cost. Similar to premiums, where we reduce the income by the unearned portion to the following year, we apply this approach to the commission expense. While the report shows commissions will increase by 3% on auto and 7% on commercial and farm with 9% on residential. Some of the increased expense (\$230,134) is deferred to 2023.

HTM writes over \$300,000 of premiums, which we send 100% of it off to “Cambridge”. This includes cyber premium, boiler and machinery premium as well as the premiums we charge for liability limits over \$2 million. On this premium, we receive a commission. It is shown as revenue on this report, reducing overall commission expenses.

This report does not include agency salaries, advertising or CPC estimates.

The highlights for commissions are as follows:

- Direct premiums up 6.9%.
- Net commission expenses up 5.5%

Direct Commission Expenses

GROSS PREMIUMS WRITTEN	Projected 2021	Budget 2022	%
Automobile	8,192,770	8,438,553	3.0%
Commercial	4,470,141	4,783,051	7.0%
Personal	13,850,694	15,097,256	9.0%
Farm	<u>8,948,295</u>	<u>9,574,676</u>	<u>7.0%</u>
	35,461,900	37,893,536	6.9%
 DIRECT COMMISSION EXPENSE			
Automobile (12.5%)	974,428	1,003,660	3.0%
Non-automobile (20.0%)	5,255,385	5,677,396	8.0%
Less: Commission Revenue *	116,214	117,203	0.9%
 Increase in DPAE **	<u>109,605</u>	<u>230,134</u>	<u>110.0%</u>
	6,003,995	6,333,719	5.5%

* Commission revenue is derived by selling Boiler, Home system protection and Cyber coverages. We also receive commission when we sell liability limit protection in excess of \$2 million on auto and property policies.

** DPAE is Deferred Policy Acquisition Expenses which acts similar to Unearned Premiums.

Salary and Director Fees

We have spent a lot of time on a good analysis of salaries and expenses. The file we have breaks down salaries and expenses by month. It groups individuals by the department they are in. The report shows 43 employees in 2021 and 44 in 2022. This number for 2021 includes every person who was active during some portion of the year. We currently have 38 active employees.

We have incorporated inflation type increases in benefits.

The highlights for salaries are as follows:

- We are adding one body in sales based on the Pearson acquisition starting May 1st.
- We are adding a business analyst role. This role provides support for IT and will overlap with activities that Donna is currently doing. (Succession for Donna)
- We are anticipated hiring a senior accounting person in this budget as a replacement for an employee who retiring (April Sendel). There some overlap time for training.
- We have added an inspector for last half of the year. This is based on reviewing our inspection challenges based on our available resources and the growth in the business and backlogs.
- We have added a VP of Finance in September to overlap with Donna who has told me she intends to retire after 2022 year end.

(Approximately) Increases in Salary Budget is made up of the following. We have not discussed raises with staff until budget is approved. Budget amounts are estimates with management determining the final raises for each individual.

Description	Amount
Inflation	\$101,000
Merit	\$46,000
Adjustments (based on salary review process)	\$123,000
New salaries	190,000
Total increase	\$459,000

Directors' Fees are shown in more detail on a separate report. It is simply an estimate of meetings over 2022, anticipating a combination of in-person and virtual events. I also anticipate more events and conventions to be available. I put in an increase based on the executive meeting we had where HTM's directors' compensation was compared to OMIA's salary survey for 2021. Directors benefits for internet, phone, health benefits and CPP applies as well as Employer Health Tax (EHT).

Description	Amount	Benefits	Amount	Description	Rates 2022	Rates 2021
Full Per Diems	\$134,225	OMIA Benefits	\$44,820	Full Day per diem	\$475	\$430
Virtual Per Diems	<u>\$19,800</u>	EHT	\$3,907	Virtual Per diem	\$275	\$250
	\$154,025	CPP Estimate	\$10,196	Honourarium	\$4,200	\$4,000
Honourariums	\$37,800	Phone/Internet	<u>\$10,800</u>	Chair Additional Per diem	\$5,700	\$5,160
Chair/Vice	<u>\$8,550</u>		<u>\$69,723</u>	V-Chair Additional Per diem	\$2,850	\$2,580
	<u>\$200,375</u>			Addition Chair Honourarium	\$1,600	\$1,500
				Addition V-Chair Honourarium	\$800	\$750

Summarized Budget for 2022 with Ratios

The summarized budget provides you with a look at the entire financial statement as budgeted for 2022, with a comparison to the 2021 projected figures.

Assets

The budget sees assets rise by about \$6 million with the additional funds going into cash and investments. Broker acquisition includes the Pearson acquisition. The amount shown on the assets for broker acquisition is after amortization. In the budget, I have shown amortization of the new portfolio over 5 years. The audit committee, auditor and/or the board may decide to amortize it over a longer period. With little capital purchases building and equipment are lower due to depreciation.

Liabilities

On the liabilities side, outstanding claims includes adjustments to reserves increasing them by \$3 million. Unearned premiums are up due to premium written estimates.

Surplus

Surplus is shown growing by just under \$2.3 million. This is based on a 95% combined ratio and taxes of 25% of net income.

Balance Sheet as at December 31st

	2021 P	2022 B	% Change
Cash & Investments	59,975,527	67,926,980	13.3%
Accounts receivable	10,027,874	9,435,200	-5.9%
Reinsurance	7,873,841	6,489,448	-17.6%
Broker Acquisition	208,033	1,074,429	416.5%
Building & Equipment	7,143,064	6,793,084	-4.9%
Other Assets	<u>3,471,882</u>	<u>3,694,622</u>	6.4%
Total Assets	<u>88,700,221</u>	<u>95,413,764</u>	7.6%
Accounts Payable	682,147	1,259,437	84.6%
Due to Brokers	1,443,414	1,174,710	-18.6%
Outstanding Claims	23,293,154	26,693,154	14.6%
Taxes Due	745,334	234,758	-68.5%
UEP & Other Liabilities	<u>18,216,526</u>	<u>19,456,661</u>	6.8%
Total Liabilities	<u>44,380,575</u>	<u>48,818,719</u>	10.0%
Members' Surplus	44,319,646	46,595,045	5.1%
	\$88,700,221	\$95,413,764	7.6%

Net Premiums Earned

2021's net earned premium shows a 3.8% increase, while our budget for 2022 is at 5.2%. These numbers were discussed previously in this report.

Policy Interest / Charges

We get a good stream of revenue from monthly payments. Also in 2022 we are going to start charging again for NSFs. Almost all other companies we know of started doing that months ago.

Net Claims Incurred

While net claims incurred for the actual 2020 year was 14.9 million. That was a very good year boasting a \$2.6 million underwriting profit. 2021 claims makes 2020 look bad (so far). Our budget for 2022 is anticipating a good year with "normal" claims incurred figures. This is the challenge of being a smaller insurance company and dealing with the volatility. Our business is a marathon and not a sprint.

General Expense Totals

The general expenses are shown increasing by \$1M or about 7.4%. Our net income is budgeted to grow 5.2%, which means an increase in overall expenses. We are back to 43% expense ratio. That being said, some of these additional expenses are overlapping salaries and one time projects. 2023 should put on back on track with our expenses.

Underwriting Profit/Loss

2021 is estimated to end up with a \$7.6 million underwriting profit. At the time of this report, based on November claims figures, we stand at close to \$8 million. If December claims are below \$1.8 million on a net basis, the projection will be very close, subject to other year end changes of course.

For 2022, we booked claims that would provide the company with a 95% combined ratio. This is our target for our strategic plan. This number was discussed in the finance committee a couple times. Underwriting profit at \$2m has not been commonplace over the last 10 years.

Investment Income

Investment income is as volatile as claims. We have estimated a stable income for the remainder of 2021, however at the time of writing this report, the TSX has taken a tumble. For 2022, we have gone back to a historical conservative investment income. This is despite adding \$7 million to our investment pool in 2021. This is "real" dollars added and not increases in market value.

Taxes

There are many tax adjustments at yearend the auditor does. This causes, in many cases, a disconnect from our accounting revenue. We have been applying a 25% tax rate to our total profit as a reasonable estimate.

Net Profit / (Loss)

We show a net profit for all years and are optimistic that this reflects the year ahead.

If you would like to see more details in any of these categories, please refer to the Detailed Budget report provided for your reference.

Income Statement to December 31st

	2021 P	2022 B	%		
			Change		
Premiums	35,712,900	38,153,536	6.8%		
Reinsurance Premiums	5,044,791	5,525,394	9.5%		
Increase (Decrease) in UEP	<u>916,727</u>	<u>1,240,134</u>	35.3%		
Net Premiums Earned	29,751,381	31,388,007	5.5%		
Policy Interest / Charges	<u>495,660</u>	<u>517,000</u>	4.3%	% of EP	% of EP
	<u>\$30,247,042</u>	<u>\$31,905,007</u>	5.5%	2021 P	2022 B
Gross Claims & Adjusting Incurred	10,400,564	18,805,497	80.8%	35.0%	59.9%
Reinsurance Recoveries	<u>600,000</u>	<u>2,700,000</u>	350.0%	2.0%	8.6%
Net Claims Incurred	9,800,564	16,105,497	64.3%	32.9%	51.3%
Policy Acquisition Expenses	8,039,110	8,033,296	-0.1%	27.0%	25.6%
All other Expenses	<u>4,856,654</u>	<u>5,888,454</u>	21.2%	16.3%	18.8%
General Expenses	12,895,764	13,921,751	8.0%	43.3%	44.4%
Underwriting Profit / (Loss)	\$7,550,714	\$1,877,760	-75.1%	76.3%	95.7%
Investment Income	1,355,000	1,156,105	-14.7%		
Income Tax Expense	2,226,429	758,466	-65.9%		
Net Profit / (Loss)	<u>\$6,679,286</u>	<u>\$2,275,399</u>	-65.9%		

Policy Acquisition Expenses

Direct commissions were discussed earlier in the report. We have included a robust CPC for 2021 and a very good CPC in the budget year (relative to prior years like 2020). Salaries in 2021 were for a full year and included the distribution manager's salary. For the budget year, this will now include an additional person.

We have included rental costs for the future Lindsay office as well as marketing and sales website costs.

Broker connectivity includes the new broker upload project software costs.

Facility was adjusted in 2021 due to over a decade of improperly allocating acquisition expenses to the accounts receivable. This entry may be reversed by the auditor and included as a prior period adjustment for 2020. In this event, 2021 will show approximately \$33,000. This one-time adjustment makes the commission expense look "flat" from 2021 to 2022.

Professional fees

There are three categories; legal, auditing and "other professional". These other costs would include Kirwin and Associates for HR activities, Bizxcel for our strategic planning sessions. In 2021 we had additional fees for our Pay Equity project. In 2022, we anticipate additional audit fees for IFRS 17 as well as Pearson. In addition, we will have a consultant assist with governance.

Directors Fees, Salaries and Benefits

The salary and benefits summary report is attached in the appendix. Overall salaries were discussed earlier in this report. This category took the most change with the succession challenges and new position of BA.

One challenge with creating this report is the fluctuation in both vacation and sick day calculations. We have to recognize the "value" in dollar terms of holidays and sick days that are carried over from one year to the next. Based on a variety of circumstances, this can go up or down several thousands of dollars impacting the budget figure. No change from the calculation last year has been anticipated in both the projection and the budget. Although, estimate for payroll changes is much more significant due in part to the inflation factor of 4.9%.

Directors' fees category anticipates more opportunities for directors to attend conventions and functions. It also anticipates adjustments being applied to fees. Those changes would be effect January 1st 2022 as opposed to following the March annual meeting. 2021 was the first year of allocating the benefit costs to the categories they are associated with.

Travel and Meals, Conventions, Education

Not a lot of science has gone into these calculations. A typical year over year comparison acknowledging increases in mileage allowance, for example, would usually provide a reasonable estimate for the budget year. However, the pandemic has thrown history off as well as created an uncertain future in these type of activities. An estimate in many expense areas is an almost full return to normal.

Government and Regulator

The main cost is our Premium taxes. It's 0.5% of our property premiums and 2% of our accident premiums. A referential report is provided for additional details of the calculations.

Building Expenses

Inflationary factors have been applied to these categories. At year end, this is one category where costs are allocated to the claims area, reducing the operating expenses (but increasing claims expenses). This year end calculation can also impact the accuracy of the projected and budgeted amounts.

Office Expenses

In 2021, we allocated money for printing of our policies. That project did not get accomplished. We have moved that to 2022's budget.

Technology

This category was broken out in 2021. Insurance system fees is related to Cognition+ while in 2020, this account captured almost everything due to technology. We are considering a cloud based approach for our servers in 2022. There was some additional costs in 2021 due to our cyber breach.

Risk Analysis and Prevention

The detailed budget report shows the benefit costs associated with the inspection department in 2021. To account for a potential additional inspector, ½ year's estimated salary is included. We have struggled with a backlog of inspections for a number of years and the pandemic put us back even further. To help catch the backlog up, management has recommended contracting out inspections. We have included \$200,000 for this project. We will work with a firm to maximize this investment and get the most inspections possible.

Bank Charges

This vast majority of the costs in this category are credit card charges and bank charges on policy payments. It also includes normal monthly banking fees, debit machine costs, payroll fees, registration fees to allow people to choose HTM as a payee.

Income Statement to December 31st - Detailed Expenses

	2021 P	2022 B	%	2021 P	2022 B
			<u>Change</u>	<u>% of</u>	<u>% of</u>
				<u>Earned</u>	<u>Earned</u>
Policy Acquisition Expenses	8,039,110	8,033,296	-0.1%	27.0%	25.6%
Directors Fees and Benefits	218,301	270,098	23.7%	0.7%	0.9%
Professional Fees	92,500	95,000	2.7%	0.3%	0.3%
Salaries and Benefits	1,861,229	2,202,345	18.3%	6.3%	7.0%
Travel Expenses & Meals	20,601	52,000	152.4%	0.1%	0.2%
Advertising & Donations	186,079	155,000	-16.7%	0.6%	0.5%
Conventions & Annual Meeting	9,000	106,000	1077.7%	0.0%	0.3%
Education	36,000	54,000	50.0%	0.1%	0.2%
Depreciation	251,454	255,127	1.5%	0.8%	0.8%
Sundry / Other	91,999	139,000	51.1%	0.3%	0.4%
Membership Fees	68,737	80,000	16.4%	0.2%	0.3%
Government & Regulatory	136,662	145,002	6.1%	0.5%	0.5%
Building Expenses	146,000	157,000	7.5%	0.5%	0.5%
Office Expenses	160,000	195,000	21.9%	0.5%	0.6%
Technology	840,416	914,872	8.9%	2.8%	2.9%
Risk Analysis & Prevention	588,676	903,009	53.4%	2.0%	2.9%
Bank Charges	149,000	165,000	10.7%	0.5%	0.5%
General Expenses	<u>\$12,895,764</u>	<u>\$13,921,751</u>	8.0%	43.3%	44.4%

Balance Sheet as at December 31st

ASSETS

Cash & Investments

	2020	2021 P	% Increase	2022 B	% off Budget
Cash	8,719,456	4,743,209	-45.6%	5,103,714	-7.1%
Accrued Interest	109,680	128,457	17.1%	122,287	5.0%
Investments @ Cost	43,213,173	52,365,753	21.2%	59,063,799	-11.3%
Change in Market Value	<u>2,958,756</u>	<u>2,738,109</u>	-7.5%	<u>3,637,181</u>	-24.7%
	55,001,065	59,975,527	9.0%	67,926,980	-11.7%

Accounts Receivable

Policyholders	8,664,256	10,061,683	16.1%	9,466,606	6.3%
Due from Facility	<u>431,841</u>	<u>(33,809)</u>	-107.8%	<u>(31,406)</u>	7.7%
	9,096,097	10,027,874	10.2%	9,435,200	6.3%

Reinsurance

Due from FM Re - Catastrophe Claims	880,666	365,545	-58.5%	31,353	1065.9%
Due from FM Re - Paid Claims	552,400	370,524	-32.9%	0	0.0%
Reinsurance Claims Reserves	5,263,938	4,188,933	-20.4%	2,958,094	41.6%
Reinsurance Claims IBNR	<u>2,148,839</u>	<u>2,948,839</u>	37.2%	<u>3,500,000</u>	-15.7%
	8,845,843	7,873,841	-11.0%	6,489,448	21.3%

Broker Acquisition

Broker Purchase	568,000	568,000	0.0%	1,668,000	-65.9%
Broker Acquisition - Amortization	<u>(180,267)</u>	<u>(359,967)</u>	99.7%	<u>(593,571)</u>	-39.4%
	387,733	208,033	-46.3%	1,074,429	-80.6%

Building and Equipment

Land	1,039,600	1,039,600	0.0%	1,039,600	0.0%
Building	5,635,326	5,635,326	0.0%	5,635,326	0.0%
Building - Accumulated Depreciation	<u>516,572</u>	<u>657,451</u>	27.3%	<u>798,331</u>	-17.6%
	5,118,754	4,977,875	-2.8%	4,836,995	2.9%
Building Components	645,705	645,705	0.0%	645,705	0.0%
Building Components - Accum. Depreciation	<u>118,379</u>	<u>150,659</u>	27.3%	<u>182,939</u>	-17.6%
	527,325	495,046	-6.1%	462,766	7.0%
Office Equipment	764,308	801,538	4.9%	826,268	-3.0%
Office Equipment - Accum. Depreciation	<u>269,711</u>	<u>348,005</u>	29.0%	<u>429,972</u>	-19.1%
	494,597	453,533	-8.3%	396,296	14.4%
Computer Equipment	786,441	811,731	3.2%	822,021	-1.3%
Computer Equipment - Accum. Depreciation	<u>531,304</u>	<u>634,721</u>	19.5%	<u>764,593</u>	-17.0%
	255,137	177,010	-30.6%	57,428	208.2%

Other Assets

Deferred Policy Acquisition Expenses	3,125,405	3,237,934	3.6%	3,472,995	-6.8%
Deferred Income Taxes	130,000	130,000	0.0%	130,000	0.0%
Prepaid Expenses	91,507	100,000	9.3%	91,507	9.3%
Employee Payroll Deductions	<u>621</u>	<u>3,948</u>	535.7%	<u>120</u>	3184.5%
	3,347,534	3,471,882	3.7%	3,694,622	-6.0%
	<u>\$84,113,686</u>	<u>\$88,700,221</u>	5.5%	<u>\$95,413,764</u>	-7.0%

Balance Sheet as at December 31st

	2020	2021 P	% Increase	2022 B	% off Budget
LIABILITIES					
Accounts Payable					
Expenses Due & Accrued	527,520	414,008	-21.5%	485,537	-14.7%
Reinsurance Premiums Due	470,304	268,111	-43.0%	773,900	-65.4%
Employee Payroll Deductions	<u>(176)</u>	<u>28</u>	-116.0%	<u>0</u>	0.0%
	997,649	682,147	-31.6%	1,259,437	-45.8%
Due to Brokers					
Contingent Profit Sharing	393,331	843,240	114.4%	600,000	40.5%
Marketing Program	120,000	250,000	108.3%	100,000	150.0%
Commissions	<u>347,030</u>	<u>350,174</u>	0.9%	<u>474,710</u>	-26.2%
	860,361	1,443,414	67.8%	1,174,710	22.9%
Outstanding Claims					
Facility Claims	0	0	0.0%	0	0.0%
Gross Claims Outstanding	20,180,029	17,178,112	-14.9%	20,218,112	-15.0%
Gross Claims IBNR	<u>5,810,042</u>	<u>6,115,042</u>	5.2%	<u>6,475,042</u>	-5.6%
	25,990,071	23,293,154	-10.4%	26,693,154	-12.7%
Taxes Due					
Income Taxes	1,118,178	638,780	-42.9%	97,674	554.0%
RST & HST	<u>113,453</u>	<u>106,554</u>	-6.1%	<u>137,084</u>	-22.3%
	1,231,631	745,334	-39.5%	234,758	217.5%
UEP & Other Liabilities					
Miscellaneous	0	0	0.0%	0	0.0%
Unearned Premiums	<u>17,393,615</u>	<u>18,216,526</u>	4.7%	<u>19,456,661</u>	-6.4%
	17,393,615	18,216,526	4.7%	19,456,661	-6.4%
	<u>46,473,326</u>	<u>44,380,575</u>	-4.5%	<u>48,818,719</u>	-9.1%
SURPLUS					
Opening Balance	33,159,806	37,640,360	13.5%	44,319,646	-15.1%
Earnings during the Period	<u>4,480,554</u>	<u>6,679,286</u>	49.1%	<u>2,275,399</u>	193.5%
Ending Surplus	37,640,360	44,319,646	17.7%	46,595,045	-4.9%
	<u>84,113,686</u>	<u>88,700,221</u>	5.5%	<u>95,413,764</u>	-7.0%

Income Statement to December 31st

	2020	2021 P	% Increase	2022 B	% off Budget
Premiums					
Premiums Written - Direct	34,024,031	35,461,900	4.2%	37,893,536	6.9%
Premiums Written - Facility/Other	<u>274,805</u>	<u>251,000</u>	-8.7%	<u>260,000</u>	3.6%
	34,298,836	35,712,900	4.1%	38,153,536	6.8%
Reinsurance Premiums					
Reinsurance Ceded - Direct	4,059,840	4,657,412	14.7%	5,134,718	10.2%
Reinsurance Ceded - Other	<u>347,957</u>	<u>387,379</u>	11.3%	<u>390,676</u>	0.9%
	4,407,797	5,044,791	14.5%	5,525,394	9.5%
Change in Unearned Premium					
Increase / (Decrease) in UEP	<u>1,232,441</u>	<u>916,727</u>	-25.6%	<u>1,240,134</u>	35.3%
NET EARNED PREMIUM	28,658,598	29,751,381	3.8%	31,388,007	5.5%
Policy Interest / Charges					
Pre-authorized Payment Revenue	468,180	495,660	5.9%	510,000	2.9%
NSF Fees	<u>3,206</u>	<u>0</u>	-100.0%	<u>7,000</u>	0.0%
TOTAL INCOME	<u>29,129,984</u>	<u>30,247,042</u>	3.8%	<u>31,905,007</u>	5.5%
Gross Claims Incurred					
Gross Claims and External Adjusting	17,844,067	9,523,173	-46.6%	17,880,000	87.8%
Claims - Salaries	350,855	396,478	13.0%	405,130	2.2%
Claims - Benefits	0	86,912	0.0%	91,367	5.1%
Other Internal Claims Costs	206,257	223,000	8.1%	239,000	7.2%
Facility & Other Claims Cost	<u>153,216</u>	<u>171,000</u>	11.6%	<u>190,000</u>	11.1%
	18,554,394	10,400,564	-43.9%	18,805,497	80.8%
Reinsurance Recoveries	<u>3,630,294</u>	<u>600,000</u>	-83.5%	<u>2,700,000</u>	350.0%
NET CLAIMS INCURRED	<u>14,924,100</u>	<u>9,800,564</u>	-34.3%	<u>16,105,497</u>	64.3%
Policy Acquisition Expenses					
Commission Expense	6,002,255	6,229,814	3.8%	6,681,056	7.2%
Contingent Profit Sharing Commission (CPC)	487,380	843,240	73.0%	600,000	-28.8%
Sales - Salaries / Remuneration	154,956	276,120	78.2%	345,702	25.2%
Sales - Benefits	0	59,067	0.0%	67,471	14.2%
Broker Promotion & Advertising	0	0	0.0%	40,000	0.0%
Agency Rent / Expenses / Promotion	13,789	21,901	58.8%	120,000	447.9%
Agency purchase amortization	0	163,600	0.0%	233,604	42.8%
Rating Costs / Broker Connectivity	5,884	137,630	2239.1%	220,000	59.8%
Less:					
Change in Deferred Policy Acquisition Expenses	190,398	109,605	-42.4%	230,134	110.0%
Facility & Other Commission Revenue	<u>27,668</u>	<u>(417,343)</u>	-1608.4%	<u>44,403</u>	-110.6%
NET COMMISSION EXPENSE	<u>6,446,199</u>	<u>8,039,110</u>	24.7%	<u>8,033,296</u>	-0.1%

Income Statement to December 31st

	2020	2021 P	% Increase	2022 B	% off Budget
Directors Fees and Benefits					
Directors Fees	188,417	151,220	-19.7%	200,375	32.5%
Benefits	<u>0</u>	<u>67,081</u>	0.0%	<u>69,723</u>	3.9%
	188,417	218,301	15.9%	270,098	23.7%
Professional Fees					
Audit Fees	32,555	50,000	53.6%	60,000	20.0%
Legal Fees, Office Related	0	8,500	0.0%	5,000	-41.2%
Professional Fees	<u>57,465</u>	<u>34,000</u>	-40.8%	<u>30,000</u>	-11.8%
	90,020	92,500	2.8%	95,000	2.7%
Salaries and Benefits					
Underwriting / Admin - Salaries	1,699,857	1,490,512	-12.3%	1,798,185	20.6%
Underwriting / Admin - Benefits	<u>566,661</u>	<u>370,716</u>	-34.6%	<u>404,160</u>	9.0%
	2,266,518	1,861,229	-17.9%	2,202,345	18.3%
Travel Expenses & Meals					
Travelling Expense	6,920	3,100	-55.2%	16,000	416.1%
Travel Directors	6,194	4,500	-27.4%	14,000	211.1%
Meals Expenses	<u>17,811</u>	<u>13,001</u>	-27.0%	<u>22,000</u>	69.2%
	30,926	20,601	-33.4%	52,000	152.4%
Advertising & Donations					
Advertising	32,747	52,000	58.8%	55,000	5.8%
Donations	<u>76,612</u>	<u>134,080</u>	75.0%	<u>100,000</u>	-25.4%
	109,359	186,079	70.2%	155,000	-16.7%
Conventions & Annual Meeting					
Non-OMIA Conferences	4,801	1,000	-79.2%	90,000	8900.5%
OMIA Conferences	<u>735</u>	<u>8,000</u>	989.2%	<u>16,000</u>	100.0%
	5,536	9,000	62.6%	106,000	1077.7%
Education					
Education - Staff	30,443	35,001	15.0%	50,000	42.9%
Education - Directors	<u>2,539</u>	<u>1,000</u>	-60.6%	<u>4,000</u>	300.1%
	32,981	36,000	9.2%	54,000	50.0%
Depreciation					
Depreciation Expense - Building & Equipment	<u>486,774</u>	<u>251,454</u>	-48.3%	<u>255,127</u>	1.5%
	486,774	251,454	-48.3%	255,127	1.5%
Sundry / Other					
Sundry	16,473	19,000	15.3%	30,000	57.9%
Bad Debts	28,820	(10,000)	-134.7%	20,000	-300.0%
Insurance	72,598	76,000	4.7%	80,000	5.3%
Kitchen Expense	<u>6,008</u>	<u>7,000</u>	16.5%	<u>9,000</u>	28.6%
	123,899	91,999	-25.7%	139,000	51.1%

Income Statement to December 31st

	2020	2021 P	% Increase	2022 B	% off Budget
Membership Fees					
Membership Fees	<u>108,040</u>	<u>68,737</u>	-36.4%	<u>80,000</u>	16.4%
	108,040	68,737	-36.4%	80,000	16.4%
Government & Regulatory					
Premium Tax	113,670	115,162	1.3%	123,002	6.8%
Facility Association	0	0	0.0%	0	0.0%
RST Income	(1,500)	(1,500)	0.0%	(1,500)	0.0%
Regulatory Assessments	<u>0</u>	<u>23,000</u>	0.0%	<u>23,500</u>	2.2%
	112,170	136,662	21.8%	145,002	6.1%
Building Expenses					
Real Estate Taxes	56,918	54,000	-5.1%	60,000	11.1%
Fuel and Light	26,714	33,000	23.5%	35,000	6.1%
Janitorial and Cleaning	24,398	34,000	39.4%	35,000	2.9%
Repair and Maintenance, Building	<u>37,070</u>	<u>25,000</u>	-32.6%	<u>27,000</u>	8.0%
	145,100	146,000	0.6%	157,000	7.5%
Office Expenses					
Postage	46,954	64,000	36.3%	65,000	1.6%
Telephone	41,031	42,000	2.4%	50,000	19.0%
Printing, Stationary and Office	<u>63,087</u>	<u>54,000</u>	-14.4%	<u>80,000</u>	48.1%
	151,072	160,000	5.9%	195,000	21.9%
Technology					
OMIA - Stats - IT Costs	60,534	68,000	12.3%	70,000	2.9%
Insurance System Fees	610,043	482,000	-21.0%	515,000	6.8%
IT Contractors	0	64,000	0.0%	50,000	-21.9%
IT Supplies	0	9,000	0.0%	10,000	11.1%
Software and other License Fees	0	114,000	0.0%	140,000	22.8%
Depreciation Expense - Computer	<u>0</u>	<u>103,417</u>	0.0%	<u>129,872</u>	25.6%
	670,578	840,416	25.3%	914,872	8.9%
Risk Analysis & Prevention					
Loss Prevention - Salaries	398,245	410,655	3.1%	481,949	17.4%
Loss Prevention - Benefits	0	106,297	0.0%	115,060	8.2%
Purchase (Sales) of Fire Equipment	(457)	701	-253.4%	1,000	42.7%
External Inspection Expense	0	8,000	0.0%	200,000	2400.0%
Inspection - Education	6,259	5,000	-20.1%	10,000	100.0%
Policy Underwriting Information	18,206	12,023	-34.0%	30,000	149.5%
Inspection - Travel / Expenses	<u>38,439</u>	<u>46,000</u>	19.7%	<u>65,000</u>	41.3%
	460,694	588,676	27.8%	903,009	53.4%
Bank Charges					
Bank Charges	<u>146,331</u>	<u>149,000</u>	1.8%	<u>165,000</u>	10.7%
	146,331	149,000	1.8%	165,000	10.7%
GENERAL EXPENSES	<u>\$11,574,611</u>	<u>\$12,895,764</u>	11.4%	<u>\$13,921,751</u>	8.0%
Underwriting Profit / (Loss)	<u>\$2,631,272</u>	<u>\$7,550,714</u>	187.0%	<u>\$1,877,760</u>	-75.1%

Income Statement to December 31st

	2020	2021 P	% Increase	2022 B	% off Budget
Investment Income					
Investment Interest Earned	697,043	686,000	-1.6%	677,830	-1.2%
Dividend Income Earned	227,830	480,000	110.7%	400,000	-16.7%
Gain or Loss on Sale of Investments	433,293	200,000	-53.8%	100,000	-50.0%
Change in Market Value Investments	2,241,928	150,000	-93.3%	150,000	0.0%
Loss/Gain on Disposal of Assets	0	0	0.0%	0	0.0%
Portfolio Management Fees	<u>150,812</u>	<u>161,000</u>	6.8%	<u>171,725</u>	6.7%
	3,449,282	1,355,000	-60.7%	1,156,105	-14.7%
Net Profit / (Loss) before Tax	\$6,080,554	\$8,905,714	46.5%	\$3,033,865	-65.9%
Income Tax Expense					
Income Tax Expense - Current	1,600,000	2,226,429	39.2%	758,466	-65.9%
Net Profit / (Loss)	\$4,480,554	\$6,679,286	49.1%	\$2,275,399	-65.9%

Claim Counts by Policy Class	2017	2018	2019	2020	2021
Auto	356	398	414	327	291
Commercial	40	40	46	38	27
Personal	279	340	299	242	196
Farm	<u>126</u>	<u>193</u>	<u>118</u>	<u>135</u>	<u>84</u>
	801	971	877	742	598

Projected 2021 (Average)	Projected 2021 (Median)	Selected Number of Claims
358	344	375
38	37	45
269	246	325
<u>133</u>	<u>112</u>	<u>130</u>
797	739	875

Change	2018	2019	2020	2021
Auto	11.8%	4.0%	-21.0%	-11.0%
Commercial	0.0%	15.0%	-17.4%	-28.9%
Personal	21.9%	-12.1%	-19.1%	-19.0%
Farm	<u>53.2%</u>	<u>-38.9%</u>	<u>14.4%</u>	<u>-37.8%</u>
	21.2%	-9.7%	-15.4%	-19.4%

Average	Median
-4.1%	-3.5%
-7.8%	-8.7%
-7.1%	-15.5%
<u>-2.3%</u>	<u>-11.7%</u>
-5.8%	-12.5%

% of the Claims	2017	2018	2019	2020	2021
Auto	44.4%	41.0%	47.2%	44.1%	48.7%
Commercial	5.0%	4.1%	5.2%	5.1%	4.5%
Personal	34.8%	35.0%	34.1%	32.6%	32.8%
Farm	<u>15.7%</u>	<u>19.9%</u>	<u>13.5%</u>	<u>18.2%</u>	<u>14.0%</u>
	100.0%	100.0%	100.0%	100.0%	100.0%

Average	Median
45.2%	45.6%
4.8%	4.8%
33.6%	33.4%
<u>16.4%</u>	<u>16.1%</u>
100.0%	100.0%

Number of perdiems 2022

Description	Jan	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec	Any	Total	Full	Digital
Board Meetings	9	9	9	9	9	9	9	9	9	9	9	9		108	90	18
Audit Committee	5					5					5			15	10	5
Nomination Committee		4				4		4						12	6	6
Finance Committee											5			5	5	0
Executive Committee				4				4				4		12	6	6
Ad Hoc Committee					2		2		2					6	3	3
March Annual Meeting			9											9	9	0
March Convention			24											24	24	0
Broker Forum					18									18	18	0
June Group E						9								9	9	0
Lindsay Farm Show														0	0	0
Hastings County Plow								8						8	8	0
Strategic Planning Session							9							9	18	-9
NAMIC									15					15	15	0
CAMIC										12				12	12	0
P&M										9				9	9	0
HTM Curling Bonspiel											4			4	4	0
OMIA Curling Bonspiel		4												4	4	0
Legislative affairs		2					2							4	4	0
Other Meetings				6	6				6					18	3	15
Education	3	3	3	3	3	3	3	3	3	3	3	3		36	18	18
Governance				5							5			10	0	10
															275	72

Description	Amount	Benefits	Amount
Full Per Diems	\$134,225	OMIA Benefits	\$44,820
Virtual Per Diems	<u>\$19,800</u>	EHT	\$3,907
	\$154,025	CPP Estimate	\$10,196
Honourariums	\$37,800	Phone/Internet	<u>\$10,800</u>
Chair/Vice	<u>\$8,550</u>		\$69,723
	<u>\$200,375</u>		

Description	Rates 2022	Rates 2021
Full Day per diem	\$475	\$430
Virtual Per diem	\$275	\$250
Honourarium	\$4,200	\$4,000
Chair Additional Per diem	\$5,700	\$5,160
V-Chair Additional Per diem	\$2,850	\$2,580
Addition Chair Honourarium	\$1,600	\$1,500

Average Claims	Median Claims
3,627,165	3,795,289
856,426	793,832
7,514,180	7,609,344
<u>3,209,964</u>	<u>3,421,994</u>
15,207,735	15,620,459

Selected Number of Claims	Average Claim Cost 2021	Median Claims Cost 2021	Budget 2022
375	3,492,540	3,411,548	4,000,000
45	1,009,845	1,174,734	1,000,000
325	8,845,311	7,579,150	9,200,000
<u>130</u>	<u>3,493,794</u>	<u>3,431,883</u>	<u>3,500,000</u>
875	16,841,489	15,597,315	17,700,000

Policy Count written by Policy Class	2017	2018	2019	2020	2021
Auto	4,827	5,048	5,500	5,639	5,506
Commercial	1,559	1,639	1,768	1,763	1,725
Personal	8,848	9,111	9,601	9,881	9,835
Farm	<u>2,636</u>	<u>2,694</u>	<u>2,707</u>	<u>2,754</u>	<u>2,760</u>
	17,870	18,492	19,576	20,037	19,826

Projected 2021 (Average)	Projected 2021 (Median)	Selected Rate	2021 In-Force	Budget 2022
5,695	5,702	0.5%	5,613	5,641
1,771	1,767	1.0%	1,839	1,857
10,101	10,125	0.5%	10,220	10,271
<u>2,792</u>	<u>2,791</u>	<u>1.0%</u>	<u>2,800</u>	<u>2,828</u>
20,359	20,385	0.6%	20,472	20,598



This the policies

Growth	2018	2019	2020	2021
Auto	4.6%	9.0%	2.5%	-2.4%
Commercial	5.1%	7.9%	-0.3%	-2.2%
Personal	3.0%	5.4%	2.9%	-0.5%
Farm	<u>2.2%</u>	<u>0.5%</u>	<u>1.7%</u>	<u>0.2%</u>
	3.5%	5.9%	2.4%	-1.1%

Average	Median
3.4%	3.6%
2.6%	2.4%
2.7%	2.9%
<u>1.2%</u>	<u>1.1%</u>
2.7%	2.9%

% of the Portfolio	2017	2018	2019	2020	2021
Auto	27.0%	27.3%	28.1%	28.1%	27.8%
Commercial	8.7%	8.9%	9.0%	8.8%	8.7%
Personal	49.5%	49.3%	49.0%	49.3%	49.6%
Farm	<u>14.8%</u>	<u>14.6%</u>	<u>13.8%</u>	<u>13.7%</u>	<u>13.9%</u>
	100.0%	100.0%	100.0%	100.0%	100.0%

Average	Median
27.7%	27.8%
8.8%	8.8%
49.3%	49.3%
<u>14.2%</u>	<u>13.9%</u>
100.0%	100.0%

Premium Tax Expenses

GROSS PREMIUMS WRITTEN		2020	Projected 2021	Budget 2022
Property Premium	*	21,971,662	23,578,034	25,493,301
Accident Premium		<u>23,233</u>	<u>22,901</u>	<u>23,130</u>
		21,994,895	23,600,935	25,516,431
	Rate			
Tax on Property	0.5%	109,858	117,890	127,467
Tax on Accident	2.0%	<u>465</u>	<u>458</u>	<u>463</u>
		110,323	118,348	127,929
UNEARNED PREMIUM				
Property Premium		11,468,078	12,108,979	13,084,020
Accident Premium		<u>10,143</u>	<u>9,225</u>	<u>11,796</u>
		11,478,221	12,118,204	13,095,817
DEFERRED PREMIUM TAX				
Property Premium		57,340	60,545	65,420
Accident Premium		<u>203</u>	<u>184</u>	<u>236</u>
		57,543	60,729	65,656
PREMIUM TAX EXPENSE			115,162	123,002

Premium Written by Policy Class	2017	2018	2019	2020	2021
Auto	6,340,389	6,844,673	7,869,022	8,414,775	8,192,770
Commercial	3,035,934	3,323,485	3,826,384	4,287,095	4,470,141
Personal	9,879,580	10,557,516	11,865,259	12,977,593	13,850,694
Farm	<u>6,941,624</u>	<u>7,406,434</u>	<u>7,843,983</u>	<u>8,344,568</u>	<u>8,948,295</u>
	26,197,527	28,132,108	31,404,648	34,024,031	35,461,900

Projected 2021 (Average)	Projected 2021 (Median)	Selected Rate	Budget 2022
8,750,213	8,802,680	3.0%	8,438,553
4,927,362	4,950,948	7.0%	4,783,051
15,074,794	14,975,142	9.0%	15,097,256
<u>9,534,865</u>	<u>9,533,413</u>	<u>7.0%</u>	<u>9,574,676</u>
38,287,234	38,262,183	6.9%	37,893,536

Growth	2018	2019	2020	2021
Auto	8.0%	15.0%	6.9%	-2.6%
Commercial	9.5%	15.1%	12.0%	4.3%
Personal	6.9%	12.4%	9.4%	6.7%
Farm	<u>6.7%</u>	<u>5.9%</u>	<u>6.4%</u>	<u>7.2%</u>
	7.4%	11.6%	8.3%	4.2%

Average	Median
6.8%	7.4%
10.2%	10.8%
8.8%	8.1%
<u>6.6%</u>	<u>6.5%</u>
7.9%	7.9%

% of the Portfolio	2017	2018	2019	2020	2021
Auto	24.2%	24.3%	25.1%	24.7%	23.1%
Commercial	11.6%	11.8%	12.2%	12.6%	12.6%
Personal	37.7%	37.5%	37.8%	38.1%	39.1%
Farm	<u>26.5%</u>	<u>26.3%</u>	<u>25.0%</u>	<u>24.5%</u>	<u>25.2%</u>
	100.0%	100.0%	100.0%	100.0%	100.0%

Average	Median
24.3%	24.3%
12.2%	12.2%
38.0%	37.8%
<u>25.5%</u>	<u>25.2%</u>
100.0%	100.0%

Reinsurance Premium Calculation for Budget Year

PREMIUM INCOME	Property	Liability	Automobile	Accident	Other	Total	Auto - PD
Farm Written Premium	8,536,679	993,326	8,438,553	23,130	21,541	18,013,229	920,232
Residential Written Premium	13,779,382	1,275,743	n/a	n/a	42,131	15,097,256	n/a
Commercial Written Premium	<u>3,177,240</u>	<u>1,507,842</u>	<u>n/a</u>	<u>n/a</u>	<u>97,969</u>	<u>4,783,051</u>	<u>n/a</u>
Gross Written Premium	25,493,301	3,776,911	8,438,553	23,130	161,641	37,893,536	920,232
Excess Reinsurance Ceded	41,778	180,222	7,035			229,035	
Gross/Net Written Premium	25,451,523	3,596,689	8,431,518	23,130	161,641	37,664,501	920,232
U.E.P @ Dec.31/ 2021	12,108,979	1,789,053	4,178,313	9,225	n/a	18,085,569	708,466
U.E.P @ Dec.31/ 2022	<u>13,084,020</u>	<u>1,926,225</u>	<u>4,303,662</u>	<u>11,796</u>	<u>n/a</u>	<u>19,325,703</u>	<u>469,318</u>
-Increase / Decrease in UEP	-975,042	-137,172	-125,349	-2,572	0	-1,240,134	239,147
Gross Earned Premium	24,476,482	3,459,517	8,306,169	20,558	161,641	36,424,366	1,159,379

REINSURANCE PREMIUM	Property	Liability	Automobile	Accident	Auto PD	Total
Gross Earned Premium	24,476,482	3,459,517	8,306,169	20,558	1,159,379	36,262,725
Reinsurance Rates	13.9399%	13.9890%	14.3583%	0.0000%	3.9801%	0.4229
Direct Reinsurance Expense	3,411,997	483,952	1,192,625	0	46,144	5,134,718
Facultative and Excess Reinsurance	203,419	180,222	7,035	0	0	390,676
Total Reinsurance Premium	3,615,416	664,174	1,199,660	0	46,144	5,525,394

Referential Materials

These documents provide additional details for your reference:

- Detailed Budget for 2022
- Policy Counts and Premiums
- Reinsurance Premium Calculations
- Gross Claim Counts and Incurred
- Reinsurance Claims Counts and Incurred
- Directors Fees Detail
- Premium Tax
- Capital Purchases in 2021

Reinsurance Claim Counts by Year	2017	2018	2019	2020	2021
Auto	0	3	1	1	1
Commercial	0	0	0	0	0
Personal	6	7	3	4	6
Farm	<u>3</u>	<u>0</u>	<u>3</u>	<u>2</u>	<u>3</u>
	9	10	7	7	10

Projected 2021 (Average)	Projected 2021 (Median)	Selected Number of Claims
1	1	2
0	0	1
5	5	4
<u>2</u>	<u>2</u>	<u>2</u>
9	9	9

Change	2018	2019	2020	2021
Auto	0.0%	-66.7%	0.0%	0.0%
Commercial	0.0%	0.0%	0.0%	0.0%
Personal	16.7%	-57.1%	33.3%	50.0%
Farm	<u>-100.0%</u>	<u>0.0%</u>	<u>-33.3%</u>	<u>50.0%</u>
	11.1%	-30.0%	0.0%	42.9%

% of the Claims	2017	2018	2019	2020	2021
Auto	0.0%	30.0%	14.3%	14.3%	10.0%
Commercial	0.0%	0.0%	0.0%	0.0%	0.0%
Personal	66.7%	70.0%	42.9%	57.1%	60.0%
Farm	<u>33.3%</u>	<u>0.0%</u>	<u>42.9%</u>	<u>28.6%</u>	<u>30.0%</u>
	100.0%	100.0%	100.0%	100.0%	100.0%

Average	Median
13.7%	14.3%
0.0%	0.0%
59.3%	60.0%
<u>27.0%</u>	<u>30.0%</u>
100.0%	100.0%

Reinsurance Claims Incurred by Policy Class	2017	2018	2019	2020	2021
Auto	0	222,704	13,172	319,953	0
Commercial	0	0	0	0	0
Personal	290,024	595,179	568,173	2,719,960	0
Farm	<u>584,691</u>	<u>0</u>	<u>568,173</u>	<u>435,081</u>	<u>600,000</u>
	874,715	817,883	1,149,518	3,474,994	600,000

Projected 2021 (Average Amount)	Projected 2021 (Median Amount)	Projected 2021 (Average Claim x # of Claims)	Projected 2021 (Median Claim x # of Claims)	Selected Reinsurance Amount
111,166	111,166	97,766	15,806	500,000
0	0	0	0	200,000
834,667	834,667	1,042,854	442,133	1,000,000
<u>437,589</u>	<u>437,589</u>	<u>352,805</u>	<u>428,773</u>	<u>1,000,000</u>
1,383,422	1,383,422	1,510,599	1,651,984	2,700,000

Average Claim	2017	2018	2019	2020	2021
Auto	0	74,235	13,172	319,953	0
Commercial	0	0	0	0	0
Personal	48,337	85,026	189,391	679,990	0
Farm	<u>194,897</u>	<u>0</u>	<u>189,391</u>	<u>217,541</u>	<u>200,000</u>
	97,191	81,788	164,217	496,428	60,000

Average	Median
81,472	13,172
0	0
200,549	85,026
<u>160,366</u>	<u>194,897</u>
179,925	97,191

% of the Claims	2017	2018	2019	2020	2021
Auto	0.0%	27.2%	1.1%	9.2%	0.0%
Commercial	0.0%	0.0%	0.0%	0.0%	0.0%
Personal	33.2%	72.8%	49.4%	78.3%	0.0%
Farm	<u>66.8%</u>	<u>0.0%</u>	<u>49.4%</u>	<u>12.5%</u>	<u>100.0%</u>
	100.0%	100.0%	100.0%	100.0%	100.0%

Average	Median
7.5%	1.1%
0.0%	0.0%
46.7%	49.4%
<u>45.8%</u>	<u>49.4%</u>
100.0%	100.0%