



FIRE MUTUALS GUARANTEE FUND UPDATE – APRIL 2022

Trustees: Brian Downie (West Elgin), Sharon Hollister (Germania), Glenn Taylor (Halwell), Jodi Rich (Howard), Ross Lamont (Trillium)

Secretary: John Taylor (OMIA)

The following is a summary of the April 8, 2022, meeting of the Fire Mutuals Guarantee Fund Trustees, held by Zoom.

1. FUND VALUE

Sharp Asset Management provided a written report on the position of the fund as at March 31, 2022:

		<i>% of Total</i>
Cash and Equivalents	\$45,498.88	2.35%
Canadian Bonds	\$1,893,788.15	97.65%
TOTAL	<u>\$1,939,287.03</u>	
Accrued Interest	\$14,790.61	
TOTAL ASSETS (including accrued interest)	<u>\$1,954,077.64</u>	

The investments comply with the Fund's Statement of Investment Policy. Permitted exceptions, if any, are subject to review and approval by the trustees on a quarterly basis.

Q1 returns for the fund were -2.29% versus the benchmark -2.82%. The one-year return for the fund was -2.48% against the benchmark of -3.14%. The year's negative returns were attributed to the rising interest rate environment and subsequent increase in bond yields, thereby reducing market values of bonds held. All returns are net of fees.

The four-year return on the fund is 1.77% versus a benchmark of 1.46%. The fund has returned 3.92% since inception. The fund has positioned duration defensively anticipating ongoing increases in bond yields.

2. ANNUAL GENERAL MEETING

The Annual General Meeting was held on March 31st. Trustees Brian Downie and Glenn Taylor were re-elected to 3-year terms.

3. AMENDMENT TO THE FIRE MUTUALS GUARANTEE FUND AGREEMENT

The Financial Services Regulatory Authority (FSRA) has approved the amendment to the “Agreement” to increase the upper limit of the Fund from \$2,000,000 to \$3,000,000. The intention is to allow the fund towards the new limit through investment returns.

4. FRC SUCCESSION

Jeff Wickware was welcomed as the newest member of the FRC at the AGM. Bill Embree will continue and assist with the transition before retiring later this year, after 11 years service on the FRC.

5. LOOKING AHEAD INTO 2022

2021 saw the launch of FSRA’s Technical Advisory Committee (TAC) on solvency and prudential frameworks for Ontario chartered insurers. FSRA has also created a mutual working group that is specifically focused on how a new Insurance Prudential Supervisory Framework (IPSF) will integrate with the FMGF mutuals.

The Financial Review Committee (FRC) continues to work proactively to meet reporting protocols required by FSRA. This involves cooperation by all the FMGF mutuals in adapting to new or increased information and analysis requests. This cooperation is noted and appreciated.

In addition, the FRC, with the FMGF, OMIA, the Accounting Advisory Committee and Farm Mutual Re are working on initiatives including:

- Reviewing how risk is assessed at the entity level;
- Developing and reviewing an intervention staging guideline;
- Updating a system wide stress test using year end 2021 results;
- Vetting and assessing how IFRS-17 changes will impact asset ratios;
- Working with OMIA’s Accounting Advisory Committee to monitor and provide input to the IFRS-17 conversion project and help create position papers, actuarial solutions, and mutual guidance on approaches to conversion;
- Survey ERM practices among the mutuals;

6. SOLVENCY PROTECTION ISSUES

There are currently no solvency protection threats to the fund.