

The Farm Mutual RePort



March 2021

Message from the Board Chair



As the sun rises higher in the sky, and the crocuses and daffodils prepare to display new life and beauty, I write this final message to our members from the position of Chair of the Board.

The Farm Mutual Re Information Session, to be held via Zoom on

March 24th, will provide you with a great deal of useful information, and I ask that you attend. **Members are the lifeblood of Farm Mutual Re, and we truly hope that voting delegates will participate fully in our Special General Meeting (SGM) and Annual Meeting of Members (AMM), and that all directors and staff of member companies feel welcome to attend the Information Session that follows.**

At the Information Session you will learn about several accomplishments achieved by Farm Mutual Re over the past year – both from the perspective of the Board and from our Leadership Team. As spring dawns, however, it's appropriate in this message to look ahead, not back.

I have a great deal of confidence in the Board of Directors that is expected to be in place following the elections during the AMM. Paul Vandenbosch will be an exceptional Chair, backed up by two strong Vice-Chairs in Valerie Fehr and Ed Forbes and Committee Chairs Kevin Konecny and Jill Taylor.

Over the past year especially, this 12-member Board has come together to provide an elite level of governance oversight and engagement in the work of the Board related to strategic and risk management issues. The Board is well-positioned to move its agenda forward into the coming year.

From the perspective of this Board Chair, I have full confidence in your Farm Mutual Re Leadership Team also. This team is forward-looking, proactive, collaborative, values-driven, experienced and highly skilled.

I'm very thankful for the opportunity to have led the Board as Chair over the past year. Our members have allowed and encouraged my engagement over the past nine years while on the Board, and I will be forever grateful for the opportunity to serve our members this way. Thank you!

Mutually yours ... **Ross Gowan**

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Message from the CEO



The year 2020 will be remembered by most as not only tragic and impactful, but also transformative. For Farm Mutual Re and the mutual community, it will be remembered as the year we demonstrated our values more than ever. It was also the year

when we were able to reaffirm why we are passionate about the mutual community.

Our Farm Mutual Re team responded to what was in front of us tremendously well. Our Information Technology department had laid down the groundwork to allow us to move relatively seamlessly to this new world of virtual work, and they are to be commended. Keeping our employees top of mind, we communicated often, held regular virtual meetings, and provided financial support so every employee could set up an effective home office.

We are pleased to see our Path to Profitability initiatives becoming evident in our financial results which you will see at the Annual Meeting of Members and the Information Session. This outcome reinforces our commitment to our multi-pronged approach to return to underwriting profitability that we started in 2019 and will continue throughout 2021 and beyond. An improving gross loss ratio in our member property line for accident years 2016 through 2020 tells us that our efforts to improve this line of business have started to take hold. We continue to emphasize diligent underwriting, rate increases and proactive loss prevention practices with our members.

After two consistent years of elevated catastrophe activity, we benefited from a low level of catastrophe losses in 2020. These positive results are not the case

with our general liability and automobile line which is showing significant development related to losses from prior accident years.

Looking ahead to 2021, we understand that the coronavirus will reshape society in lasting ways, and the 'workplace' will mean different things to different people. At Farm Mutual Re we also know that our culture is key and will always remain a determining factor in who we are and how we operate. Navigating this new world will be fascinating.

Our underwriting performance will continue to be a key focus in 2021 as there is more work to do on our Path to Profitability. We have already introduced 2021 rate increases for all lines of business and put in some restrictions on certain types of property business. We are also in the process of introducing an underwriting audit initiative, which will have a positive impact on members and us. We continue to encourage our members to look at their rates on property and liability business, as the market is anticipated to stay hard in 2021. Getting more premium for the same risk is not only good for members' profitability, it also reduces the need for reinsurance rate increases.

The broker distribution channel continues to be an important part of our growth and diversification strategy. Our focus on building strong relationships with like-minded insurers and our broker partners has led to growth opportunities both in the United States and abroad. In 2021, we will better communicate this strategy, define our vision for success and measure our progress.

While 2020 was a trying year, a lot of good things emerged. I am looking forward to the opportunities and challenges that 2021 presents, and above all, I hope we can reconnect in some fashion this year.

JP Gagnon

Financial Information

Underwriting Experience

We are very pleased with the 60% improvement in our underwriting loss to \$18.0 million for 2020. This is ahead of our forecasted underwriting loss and helps to demonstrate that our Path to Profitability initiatives, that began in early 2019, are starting to take effect.

Net income

We are also pleased with the improvement to our overall profitability with a net income of \$21.3 million for the year bolstered by strong investment portfolio performance of \$44.8 million.

Key Financial Measures

The table below provides key financial measures for the year ended December 31, 2020.

(In thousands of Canadian dollars unless otherwise stated)	2020 Dec 31	2019 Dec 31
Net premiums earned	211,699	188,904
Investment income	44,759	37,093
Underwriting loss	(18,044)	(45,332)
Net income	21,343	944
Combined ratio	109%	124%
Minimum capital test (MCT) ratio	461%	479%

Farm Mutual Foundation On-line Silent Auction

We look back fondly on in-person auctions like the one pictured from 2018, and we're pleased to announce that the Farm Mutual Foundation will host an on-line auction during the 2021 Farm Mutual Re and OMIA virtual convention. We will use the *32Auctions* platform.

The auction will open on Tuesday, March 23 at 1:00 p.m. and close at 5:00 p.m. on Thursday, March 25. A few items up for bid are:

- Gift baskets with
 - Wine
 - Beer
 - Candy
 - Lottery tickets
 - Journey in Canadian Gin
- "Beats" by Dr. Dre
- Men's wallet and scarf
- Yeti Tumblers
- Echo Show
- Echo Dot
- Apple watch
- Handmade diamond willow walking sticks
- Keg gift cards
- Artisan wood table (reserve bid)
- JP Wisers Alumni Series Whiskey
- Diamond bracelet (reserve bid)
- Mario Lemieux signed hockey stick (reserve bid)



We are very thankful to our members for their continued and generous support of the Farm Mutual Foundation. A link to the auction website will be distributed closer to the date.

Insurtech Innovation Lab

The Insurtech Innovation Lab team journey continues. The focus for the team in the last quarter of 2020 was customer discovery and solidifying the needs of participating companies.

On December 18th, 2020, the team celebrated success, receiving a unanimous “Go” vote from participating companies to move to the next stage of a repeatable and deliberate innovation process: Build, Launch and Evaluate a Minimum Viable Product (MVP).

The team is building a Mutual Innovation Pulse Report. The ‘skateboard’ version of this report will be used to test companies’ appetites for requests for experiment; to explore how companies work together to discover opportunities for innovation.

The initial pilot will be released to participating members on April 9th for testing and evaluation. A formal MVP will be presented to participating members at the MVP Summit on April 23rd, where members will vote to determine further development.

The team has led two innovation upskilling sessions with a third scheduled for March 23rd. These sessions help members understand and embrace the concepts within the repeatable innovation process and prepare them to effectively evaluate the products created by the innovation team.

Congratulations again to this team and participating members for exploring opportunities to work together to strengthen and evolve mutuality.



Innovation Centre of Excellence

Innovation is becoming increasingly critical to the long-term success of all insurers. Farm Mutual Re has a new strategic goal to build an Innovation Centre of Excellence to support sustainability.

With a proactive and dedicated innovation focus, we can develop lasting competitive advantages to better respond to external challenges along with member and customer needs. This includes everything from operational efficiencies, to developing new capabilities and responding to disruption within our industry. Doing so will increase our ability to adapt, better use our available scale, and potentially foster a greater sense of mutuality.



We are in the midst of seeking an energetic and entrepreneurial visionary to lead our Innovation Centre of Excellence. The successful candidate will steward the innovation process by seeking out ideas and technologies to support continuous improvement and organizational sustainability.

Our goal is to have this new leader in place at the beginning of May to push business boundaries, challenge long-held assumptions and make innovation happen.

Farm Mutual Re's EDI Journey

We work in a complex world and today's professional landscape is changing at a rapid rate. Now, more than ever, to support competitive advantage it is imperative for organizations to provide an environment where all stakeholders feel valued and respected.

That is why Farm Mutual Re is embarking on an Equity, Diversity and Inclusion (EDI) strategy in 2021. Understanding the connection between our values and processes and how they support EDI is essential to our success, especially at this pivotal cultural time in history.

So, what is EDI?

- **Equity:** ensures everyone has access to the same opportunities.
- **Diversity:** is representation from diverse groups based on race, age, gender, sexual orientation, etc.
- **Inclusion:** is about meeting needs of different identities because they are valued.

To put it another way, Michelle Grocholsky from Empowered EDI says: "*Diversity is inviting a range of different people to a dinner party—without diversity you have dinner in an echo chamber. Inclusion is providing options so everyone can eat—without inclusion, many guests will leave hungry. Equity is ensuring everyone has access to the food—without equity, some will leave full while others will not eat at all.*"

Our strategy will embody our commitment to collaboration and innovation; engaging employees to co-create and implement actions to make our workplace better for current and future team members. Our desired strategy must also extend beyond surface-level activities, demonstrating real value and positive change within an industry that has opportunity to improve EDI.

We are just beginning this journey and will be partnering with external experts who will help us:

1. Assess how diverse, equitable and inclusive we are today. Pinpoint strengths and areas for improvement;
2. Establish our goals and vision, and identify the most impactful, prioritized actions to achieve them; and
3. Develop our internal capability to lead and work inclusively, and to make fair and equitable decisions.

With this work, our goals are to achieve:

- Improved representation of diverse talent with diverse points of view;
- Clearer signs of barriers to EDI and solutions to remove them; and
- Employee and leader engagement and participation in EDI initiatives.

In time, we believe this work will continue to enhance the employee experience and overall employee engagement. It will also support greater cross-functional collaboration in solution development and innovation, and lead to greater member/external partner satisfaction.

If you are interested in learning more about EDI at Farm Mutual Re, we would love to include you on this journey!



Join the Farm Mutual Re LinkedIn Lounge!

Receive up-to-date information
from us in a private forum.

Find the link to join at the top of our
pinned posts on our LinkedIn page!

Claims Collaborative Settlement Initiative

In support of Path to Profitability in 2020, the claims department contacted 13 members to participate in a collaborative settlement initiative. Members were identified based on the number of claims reported to Farm Mutual Re as well as overall ceded incurred.

In June 2020, Farm Mutual Re's team of claims analysts and supervisors met with member company adjusters and/or claims managers to identify files for settlement, and complete work and action plans. Starting in August, each member was provided monthly results, including the status of settlements and their ranking among the member participants, which drove a little

friendly competition. In total, 221 claim files were reviewed by Farm Mutual Re and members. Ninety-seven claims, or 44% of the files reviewed, settled prior to the end of 2020.

Thank you to all members who committed time and energy to collaborating on this initiative. We send a special shout out to Peel, Caradoc Townsend and HT&C (formerly Town & Country) as the members who settled the greatest percentage of claim files and to Christine Meacher, Farm Mutual Re Claims Supervisor, for leading the initiative.

Claims Reserving Practices

Farm Mutual Re is committed to establishing case reserves reflective of risks, or as we call them, exposures. Case reserves are determined by using data to calculate an average amount paid on a claim in a certain category.

Recently, our actuarial team compared our initial automobile claim case reserves to closed auto claims for the accident years 2008-2018. The study showed Farm Mutual Re's average initial case reserve was within 96.5% of the final loss figures. The ability to forecast total exposure within + or - 5% of the

final claim amounts helps to manage and control reserving risk. This positive reserving result is made possible by receiving timely claim documentation from members. Given the limited number of files that have closed beyond 2018, reliable data is not yet available

for accident years 2019 and 2020.



The Farm Mutual Re claims team would like to thank members' claims staff for their diligence in timely reporting of new claims and their willingness to collaborate on settlements to help achieve this success.