



6/15/2021

Board Meeting

Minutes of June 10, 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
Bob Burley, Director
John Kernaghan, Director

ATENDING STAFF:

Alec Harmer, President
Warren Ting, VP Underwriting
Christine Howe, VP Business
Development

REGRETS:

None

Ashley Kamphorst
RECORDING SECRETARY

MISSION

“To protect your future as if it’s our own”

VISION

“Our family striving to provide you with peace of mind by protecting your tomorrows today”

Opening of the Meeting

Dave Rutherford, Chair, called the meeting to order at 9:00. He commented on looking forward to getting back to normal soon and mentioned how he has joined the Education Committee at OMIA, inviting board members to pass along thoughts and opinions. He welcomed everyone, read Mission and Vision statements, 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: Bruce Seconder: Nancy

Carried.

It was asked if under Other Business there can be a discussion on the July meeting and its format. This was added under Other Business.

Consent Agenda Documents

The consent agenda items were as follows:

- Minutes of the previous board meeting
- Auto Rate Filing Restructuring
- Farm Mutual Re. Report
- OMIA Report
- Collectivfide Report
- Management Reports

In regards to the auto rate restructuring, Alec mentioned it was the plan to hire at least one individual or more. This will add onto the cost but will help expand the auto portfolio. There is a lot of support for this.

It was asked of Christine if Cameron’s book is included in agent numbers. Christine said yes and Pearson is included in it as well, since half the new business is Pearson and half are Cameron’s. This gave a better comparison between our two methods of distribution.

It was asked of Warren, regarding the premium written chart, if it covered prior month or prior year. Warren advised it was the same month in the prior year. In his written monthly reports, Warren said he only reports on the activity in that month as opposed to year to date.

It was asked if 100% participation was required in the auto rate restructuring, and what is the timeline? Warren said that the agreement still stands with the 789 structure and because it hasn't changed, there need not be a vote. Consensus is strong, and those companies thinking of not participating would have to do their own actuarial work, etc. It makes sense for HTM to go along with the new proposal. On the timeline, this will come to fruition by start of 2022.

Christine was asked about a comparison between agent and broker in growth, retention, and loss, and if it was possible to show cost of acquisition based on our size. Alec said Donna White could best answer. It was asked if it cost us more to deal with a broker or an agent, and if these are measured to manage in terms of cost. Alec said it's reflective of premium volume; as premium volume grows, it should grow more cost effective.

Motion: *"to approve consent agenda items as distributed."*

Mover: Allan

Seconder: Richard

Carried.

Cognition Demonstration

Warren led the group in a demonstration of Cognition, going step-by-step through the motions of setting up a commercial policy.

It was discussed how the printed policies are distributed, what happens if an inspection reveals a risk is bad, what happens when payment fails, and what claims information underwriters will be able to see.

It was asked if there were backups of the information stored on the system. Alec said there are two. Warren discussed how quotes are generated and how this is reviewed by the underwriter. It was discussed what information appears on the Dec pages, and the option to email renewals instead of sending paper copies. It was asked if it's [Cognition+] being used on all lines. Warren said they phased it in, starting with auto and ending with commercial, going live in the next 10 days.

There was a question in regards to accuracy, and whether underwriters could fake having tasks done? Warren said no, and went over functions of the task bar and how he can check on the status of tasks. Once the task is there, it cannot be deleted. It was asked if inspectors are able to fill in data that was left blank when setting up the policy. Once an inspection is complete, the underwriter will see that and will go to RCT to find that inspection, and from there fill in missing information.

Consumer Portal Demonstration

Christine gave a demonstration of the consumer portal, called HTM Connect, which allows the insureds to log in and look at policy information.

It was asked if the OPP accepts electronic proof of insurance. Christine said yes, and this feature will simply provide a backup to the paper copy. It was asked if insureds can print off proof of insurance themselves. Alec said the police would still electronically search information anyway, for more up-to-date information.

With no more questions, Christine and Warren exited the meeting at this time.

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 said cash 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

Secunder: Nancy

Carried.

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

Date

Dave Rutherford, Chair

Alec Harmer, Secretary