

**FIRE MUTUALS GUARANTEE FUND UPDATE – OCTOBER 2021**

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

Secretary:      John Taylor (OMIA)

The following is a summary of the October 8, 2021, meeting of the Fire Mutuals Guarantee Fund Trustees, held by videoconference.

1.      FUND VALUE

Sharp Asset Management provided a written report on the position of the fund as of September 30, 2021:

		<i>% of Total</i>
Cash and Equivalents	\$52,312.23	2.6%
Canadian Bonds	<u>\$1,958,557.25</u>	97.4%
TOTAL	<u>\$2,010,869.48</u>	
Accrued Interest	<u>\$15,825.28</u>	
TOTAL ASSETS (including accrued interest)	<u><u>\$2,026,694.76</u></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.

The Q3 return for the fund was 0.35% versus the benchmark of 0.08%. The performance above benchmark was due to continued defensive portfolio duration positioning and a bias to provincial and corporate bonds, as opposed to Government of Canada bonds.

The return on a one-year basis is 0.20% versus the benchmark of 0.04%. The four-year return on the fund is 2.7% versus the benchmark of 2.44%.

Annualized compounded rate of return since inception (September 1997) is 4.14%.

As interest rates “trough” after decades of falling rates, and inflationary expectation threatens a more rapid rise in rates, performance in fixed income is expected to be difficult over the next 12-18 months. With upward pressure on yields expected to continue the portfolio will continue to maintain a shorter duration in the portfolio and a bias towards provincial and corporate bonds over Government of Canada bonds.

## 2. TRI-ENNIAL BALANCING

The Fire Mutuals Guarantee Fund Trust is rebalanced every three years and the respective trust balance for each of the guarantee fund mutuals is adjusted to reflect the overall pro-rata share of premiums written. The Fund Trustee and Custodian, TD Canada Trust has confirmed that this has been completed and members have been either refunded or assessed on the adjusted balance required, based on pro-rata premium volume.

## 3. ONGOING PROJECTS

The trustees work closely with the Financial Review Committee in monitoring the solvency environment and addressing any requests that may come from FSRA for changes to reporting or the overall examination processes.

Among the projects under the FRC’s guidance are:

- The annual cyber risk survey
- Research on climate risk reporting for Canadian insurers
- 2023 MCT calculation adjustments
- Evaluating changes to Early Warning Tests arising from IFRS-17
- Research on a “staging” approach to solvency assessment.
- Monitoring IFRS-17 implementation progress reporting

The FRC have also recently completed an analysis on 2021 ERM/ORSA filings and will provide a written summary report to members. The FRC will be working with OMIA in the first half of 2022 to create learning modules or sessions on ERM/ORSA to consolidate lessons learned and refresh the use of ERM/ORSA tools.

The FRC continues to focus on working with FSRA on solvency reporting protocols and expectations and appreciate the efforts of all member companies in adapting to more detailed reporting formats in 2021.

The FMGF will be actively recruiting for a new FRC member over the coming months, and members are urged to share the upcoming posting with their networks.

## 4. CYBER RISK SURVEY

This mandatory survey closed on September 30 and the data is being analyzed for trends and insights. Members’ cooperation in completion of this survey is appreciated and assists in monitoring this increasing risk category.

5. PRESIDENT AND MANAGERS MEETING

The FMGF Chair will provide an update to members as part of the 2021 President and Managers meeting, being held at Deerhurst Resort and virtually on October 25.

6. FMGF EXPENSES REPORT

The 2020/21 expenses report was reviewed against previous years with expenses tracking higher than last year. This is reflective of the number and complexity of ongoing projects and in prudential supervision in general. A formal report will be provided at the P&M as part of the FMGF Members Meeting.

7. SOLVENCY PROTECTION ISSUES

In general, year to date performance to June 30 has been strong and underwriting results have been favourable.

No threats to the fund are noted at this time.