



FIRE MUTUALS GUARANTEE FUND UPDATE – JANUARY 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 January 12, 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 December 31, 2021:

		<i>% of Total</i>
Cash and Equivalents	\$48,037.90	2.40%
Canadian Bonds	\$1,950,821.50	97.60%
TOTAL	<u>\$1,998,859.40</u>	
Accrued Interest	\$10,912.21	
TOTAL ASSETS (including accrued interest)	<u>\$2,009,771.61</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.

Q4 returns for the fund were -.56% versus the benchmark -.50%. The one-year return for the fund was -.88% as was the benchmark at -.88%. The year's negative returns were attributed to the rising interest rate environment. All returns are net of fees.

The four-year return on the fund is 2.44% versus a benchmark of 2.25%. The fund has returned 4.07% since inception.

The trustees also completed the annual review of the Investment Manager, the Custodian, and the Investment Policy Statement and Investment Mandate.

2. ANNUAL GENERAL MEETING

Notice of the Fire Mutuals Guarantee Fund's Annual General Meeting will go to member companies in early February. The meeting will take place during the morning of Thursday, March 31. The format is to be determined pending pandemic limitations. If an in-person meeting is convened, it is anticipated there will also be a provision for attending virtually.

The terms of trustees Brian Downie and Glenn Taylor will expire at the Annual General Meeting. Brian was first elected as trustee in 2016 and Glenn was first elected as trustee in 2019 and both are eligible to stand for re-election and have indicated their intention to do so.

Formal details on the nomination and election process will be provided with the AGM Meeting notice.

3. AMENDMENT TO THE FIRE MUTUALS GUARANTEE FUND AGREEMENT

An amendment to the "Agreement" to increase the upper limit of the Fund from \$2,000,000 to \$3,000,000 was passed by members in March 2021, subject to FSRA approval. The amendment is with FSRA for final sign-off.

4. LOOKING AHEAD AT 2022

2021 saw the launch of FSRA's Technical Advisory Committee (TAC) on solvency and prudential frameworks for Ontario chartered insurers. OMIA and the FMGF have representatives on the TAC and work will take place on this throughout the year.

The Financial Review Committee (FRC) worked proactively to meet reporting protocols required by FSRA. This involved 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 worked on ongoing initiatives including:

- Tracking the system impact of SABS caselaw such as Tomec vs Economical;
- Providing feedback to FSRA on the degree of usefulness of quarterly business plan reporting;
- Vetting and testing MCT calculation changes and impact;
- 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;
- Tracking cyber risk trends;
- Considering the impact areas of climate risk;
- Analyzing questions on potential solvency impacts of legal issues like Tomec vs. Economical;

This work will continue in 2022 along with recruitment of a new member of the FRC with Bill Embree's upcoming retirement.

As provincially chartered insurers, we operate in a unique regulatory environment and 2021 again illustrated the strength of the mutual guarantee system and the benefits of the investments made in self-monitoring and oversight by FMGF members.

A formal report on FMGF activities will be provided by Chair Brian Downie at the March AGM.

5. SOLVENCY PROTECTION ISSUES

There are currently no solvency protection threats to the fund.