

**For the Board Meeting of: 1/20/2022**

## Executive Summary

New claim volume and costs posted high numbers in December, however, positive development on pending files substantially reduced its impact.

We booked 131 claims for a New Claim Incurred of \$3,818,209. This included 65 Dec 11 storm claims for \$1,218,260; a dwelling fire reserved at \$1,360,700; and a BI claim for \$350,000. Meanwhile, focused transactions on pending claims, aided by ~\$750,000 recovered on three subrogated claims, generated \$2,062,838 in positive development on prior month/year claims. The offset reduced the Gross Claims Incurred to \$1,755,371. The Net posted slightly higher at \$1,826,958.

December results allowed YTD numbers to remain strong. While the year booked 695 new claims with incurred losses of \$13,270,235, we saved \$3,664,331 on prior year claims. Accordingly, the Gross Claims Incurred closed 2021 at \$9,605,904. Net Claims Incurred fared better yet, posting at \$9,157,678.

Despite December's volume, we were still able to generate closures and end the year with 377 open files, up just 11 from November. As expected with the high cost of new claims, aggregate case reserves rose by \$1.3M, to close the year at \$18,059,359.

## Update on my Department

Following late November's initial meeting with the auditors, Alec and the claims team met on December 7 to continue our year-end claims review process. We examined the outstanding list and discussed claim status, reserve adequacy/redundancy and closure potential.

We met again January 4, to confirm amendments to the outstanding, review new claims in the period, and ensure late reported December losses were booked prior to 2021 closing.

I wrapped up with a January 6 email to our lead auditor, confirming completion of the review process; including a summary of December and 2021 results.

## Update on Major Goal(s)

The year ended with a measure of carry over needed to complete the HR Plan and Product Review projects. I will address both in Q1 of 2022.

My main goal for 2022 is to write guidelines for adjusting claims of a specific nature, such as pollution, commercial liability, condominium, and D & O liability.

## Emerging or Future Issues

The pandemic continues to hold significant sway over the industry; modifying loss adjustment practices, while, arguably, reducing loss experience.

Standard claims investigation and handling methods, involving in person attendance and contact, are often sidelined. Unmanaged, this can adversely affect the quality of loss adjustment and the level of customer service. On the other hand, less frequent roadwork allows more time on file with which to maintain frequency and currency of contact. It may also shorten the adjustment cycle. We are doing our best in the CoVid environment to find balance between these factors.

Measuring the pandemic impact on results to forecast 2022 is a less reliable exercise, but one worthy of the attempt. We may again expect some moderation in frequency, with less miles traveled and fewer homes left unattended. To gauge the degree of possible influence, I examined our recent history.

In terms of frequency, in the three years pre-pandemic – 2017-19 – we averaged 882 claims per year. Over the past two years of CoVid, that average fell to just 723.

Considering severity, in 2019 we booked 27 new claims in excess of \$100,000, with 11 of those exceeding \$350,000. Results in 2020 were comparable by one measure – as we booked 26 new claims above \$100,000. However, only six rose beyond the \$350,000 threshold. In 2021, severity was decidedly low, with just 14 claims booked above \$100,000 and only 3 exceeding \$350,000.

That brief analysis suggests our lower than historical losses may in part be an unexpected consequence of the pandemic. Covid's dampening effect on commerce, transit, work and social activity looks primed to continue through an Omicron dominated Q1. To the extent, there exists a loose correlation; CoVid may remain a positive factor on results in early 2022.

However, we all can accept that 2021 was extraordinary in its example of concurrent lower than normal frequency and severity. The past year also benefited substantially from positive development and subrogation successes, neither of which are trends.

All considered, history, and the fickle nature of claims, hint that despite the continuing pandemic, losses will post higher in 2022. How much higher remains the mystery.

As the year unfolds, we will monitor caseload and distribution, to ensure adequate staff to perform the work and maintain HTM's reputation for high quality claims service.

## Claim Results

Qlik Sense stats report 121 new claims for the month. Taking into account the late reported December claims entered January 4, before year close, IBS records 131 new claims in the period. Either number is a substantial increase over both 2020 and Budget.

### Gross Claims (for the Month)

Claims Count by Policy  
Class

Policy Class	Current	Prior	Change #	Change %	Budget	Off Budget #	Off Budget %
Auto	39	21	18	85.7%	45	(6)	(13.3%)
Commercial	3	6	(3)	(50.0%)	2	1	50.0%
Farm	23	8	15	187.5%	7	16	228.6%
Residential	56	13	43	330.8%	17	39	229.4%
<b>Total</b>	<b>121</b>	<b>48</b>	<b>73</b>	<b>152.1%</b>	<b>71</b>	<b>50</b>	<b>70.4%</b>

As expected from the increased volume, incurred losses posted higher than December 2020, while the Budget proved a tad optimistic in forecasting a repeat of last year's results.

### Gross Claims (for the Month)

Claims Incurred by Policy Class

Policy Class	Current	Prior	Change #	Change %	Budget	Off Budget \$	Off Budget %
Auto	220,377	101,731	118,645	116.6%	628,005	(407,628)	(64.9%)
Commercial	7,436	65,937	(58,501)	(88.7%)	66,228	(58,792)	(88.8%)
Farm	184,868	332,702	(147,834)	(44.4%)	259,663	(74,795)	(28.8%)
Residential	1,342,690	805,824	536,866	66.6%	346,238	996,452	287.8%
<b>Total</b>	<b>1,755,371</b>	<b>1,306,195</b>	<b>449,176</b>	<b>34.4%</b>	<b>1,300,134</b>	<b>455,237</b>	<b>35.0%</b>

This table segregates current and prior year claims by occurrence date and their effect on the combined total incurred for all claims in the month. As noted in the opening narrative, positive development and subrogation recoveries on prior year claims resulted in a negative incurred of \$1.4M, which significantly mitigated the cost of new and current year claims in month.

### **Gross Claims Incurred (for the Month)**

By Class showing the effect of Claims Activity for prior years

<b>Policy Class</b>	<b>2021 Claims Incurred</b>	<b>2020 &amp; Prior Incurred</b>	<b>Total Incurred</b>	<b>% Impact of Prior Year Claims</b>
Auto	514,423	(294,047)	220,377	57.2%
Commercial	72,350	(64,913)	7,436	89.7%
Farm	441,225	(256,358)	184,868	58.1%
Residential	2,160,769	(818,079)	1,342,690	37.9%
<b>Totals</b>	<b>3,188,767</b>	<b>(1,433,396)</b>	<b>1,755,371</b>	<b>45.0%</b>

Respectfully Submitted,

*Steve O'Connell*

**"We treat our customers like family."**

We look out for the best interests of our customers in the same way we do with our families. We want only the best for them. When you are with us, you are with family.