

**For the Board Meeting of: 6/16/2022**

## Executive Summary

Until May 21, I was not familiar with the term “Derecho”. Now I know. While variously described, one version refers to “a widespread, long lived, straight line windstorm, associated with a fast moving group of severe thunderstorms” I also heard a qualifier is sustained wind speeds in excess of 125kmh. Some call it a “land hurricane”, for its characteristic of increasing wind speed. However defined, it is seriously destructive. This is evident in our numbers, which are unprecedented.

For May, we booked 257 claims for a new claim incurred of \$7,336,749. The storm accounts for 199 and \$5,064,540. Gross Claims Incurred for the month posted slightly higher at \$7,819,752, evident of added reserve on prior month/prior year claims. Net results were not available for this report; however, our Catastrophe Retention is \$1.8M, which suggests a Net Claims Incurred in the range of \$4.1M. Our pending claim count ballooned from to 673 and corresponding case reserves held rose \$6.4M to \$26,589.754.

The CAT will affect June's gross results from claims booked or reported after the turn of the month. As of June 8, we were up to 279 storm claims with reserves of \$8,066,002. Another 35 await booking, and with new claim notices still tricking in; 325 is predictable. CAT claim costs are less certain at present. The majority of damage assessments are pending due to the significant strain on our service provider network. Inflation remains a factor. Despite the constraints, I expect loss numbers should clarify through June.

## Update on my Department

The influx of storm claims posed substantial challenges, met admirably by the Claim Team, with much appreciated assistance from others in the organization. Dept. staff worked Saturday, Sunday and Monday to end the holiday weekend with a measured sense of control. That was immediately tested Tuesday when received ~ 120 new claim notices.

This space is not sufficient to describe the challenges and our address. However, I cannot understate the amount of work involved nor overstate the effort and competence of our response. I thankCarolynn, Melody, Leigh and Shawna for bearing the brunt, and Becky, Kelly, Karli, Andrea and Donna for their essential support.

## Emerging or Future Issues

It is ironic that last month here I wrote - “Future staffing needs remains a horizon issue that we are continuing to monitor, measure and will plan for” Understanding CAT events are neither common or regular, we may just be closer to that horizon.

## Claim Results

Stats in the tables here are source from QlikSense, while I have others captured in Cognition/IBS. Mine show 257 new claims, but be it hat or 250; it is a significant number and well above the low count from May 2021.

### Gross Claims (for the Month)

Claims Count by Policy Class

Policy Class	Current	Prior	Change #	Change %	Budget	Off Budget #	Off Budget %
Auto	50	19	31	163.2%	33	17	51.5%
Commercial	12	6	6	100.0%	4	8	200.0%
Farm	63	7	56	800.0%	23	40	173.9%
Residential	125	15	110	733.3%	53	72	135.8%
<b>Total</b>	<b>250</b>	<b>47</b>	<b>203</b>	<b>431.9%</b>	<b>113</b>	<b>137</b>	<b>121.2%</b>

While there is some variation in claim count, our Incurred numbers align at \$7,819,752. As noted, this is a six-fold increase over the first five months of 2021, anchoring results substantially off budget.

### Gross Claims (for the Month)

Claims Incurred by Policy Class

Policy Class	Current	Prior	Change #	Change %	Budget	Off Budget \$	Off Budget %
Auto	601,652	284,600	317,052	111.4%	251,902	349,750	138.8%
Commercial	2,348,187	307,895	2,040,292	662.7%	73,167	2,275,020	3109.4%
Farm	1,787,346	420,175	1,367,170	325.4%	386,677	1,400,669	362.2%
Residential	3,082,567	86,078	2,996,490	3481.2%	1,003,898	2,078,669	207.1%
<b>Total</b>	<b>7,819,752</b>	<b>1,098,748</b>	<b>6,721,004</b>	<b>611.7%</b>	<b>1,715,644</b>	<b>6,104,108</b>	<b>355.8%</b>

We usually include a third table of monthly stats breaking down the Gross Claim Incurred by current year current occurrence date and prior year occurrence date broken down between development and INBR. That table data is not immediately available, so we have substituted the YTD Gross Claim results, which are of interest in the present context.

One expects volatility in results because fortuity is a core feature of insurance business performance. Moreover, its occasion is not easily forecast or mitigated against.

Despite that truth, this is the most significant singular event by claim count and cost in our collective experience. That it bookends our best year on record is an extraordinary example of how random chance can be and how challenging managing risk is.

**Gross Claims (Year-to-Date)**

Claims Incurred by Policy Class

Policy Class	Current	Prior	Change #	Change %	Budget	Off Budget \$	Off Budget %
Auto	2,387,393	464,450	1,922,943	414.0%	1,091,183	1,296,210	118.8%
Commercial	3,104,278	369,917	2,734,361	739.2%	465,577	2,638,701	566.8%
Farm	2,603,296	411,070	2,192,226	533.3%	1,032,016	1,571,280	152.3%
Residential	6,997,344	1,284,302	5,713,042	444.8%	3,569,145	3,428,199	96.1%
<b>Total</b>	<b>15,092,311</b>	<b>2,529,739</b>	<b>12,562,572</b>	<b>496.6%</b>	<b>6,157,921</b>	<b>8,934,390</b>	<b>145.1%</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.