



HTM INSURANCE COMPANY

BOARD MEETING – SEPTEMBER 2022

WELCOME & OPENING REMARKS



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”

DECLARATION

Conflict of Interest

AGENDA

- Welcome and Call to Order, Mission, Vision, Conflict
- Consent agenda
- Directors' Activities
- Reinsurance report
- Update on Financials
- Broker forum
- Staff Claim
- Other Business
 - Education
 - Electronic Monitoring Policy
 - Foodbank



MOTION

“That the Agenda be adopted as distributed.”

Moved by

Seconded by

CONSENT AGENDA DOCUMENTS

- VP Claims Report
- VP Loss Prevention Report
- VP Underwriting Report
- VP Finance Report
- Compliance Report
- Distribution Manager Report
- President's Report
- Board Survey for July
- CEO Performance development
- HTM Feedback on 360 approach
- Executive committee minutes
- FM Re – AM Best
- OMIA Market Watch
- Investment Reports
- Financial Report
- E-session – Audit & MD&A



MOTION

“To accept the Consent Agenda items as distributed.”

Moved by

Seconded by



DIRECTORS' UPDATES

ACTIVITIES OF DIRECTORS SINCE LAST BOARD MEETING





REINSURANCE REPORT

FOR 2023 PROGRAM





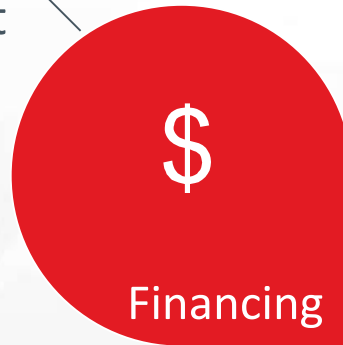
Reinsurance

You're with family.



Why is Reinsurance Purchased?

Relief of surplus drain and
expense improvement



Deploying larger policy limits



Protection from
tail occurrences

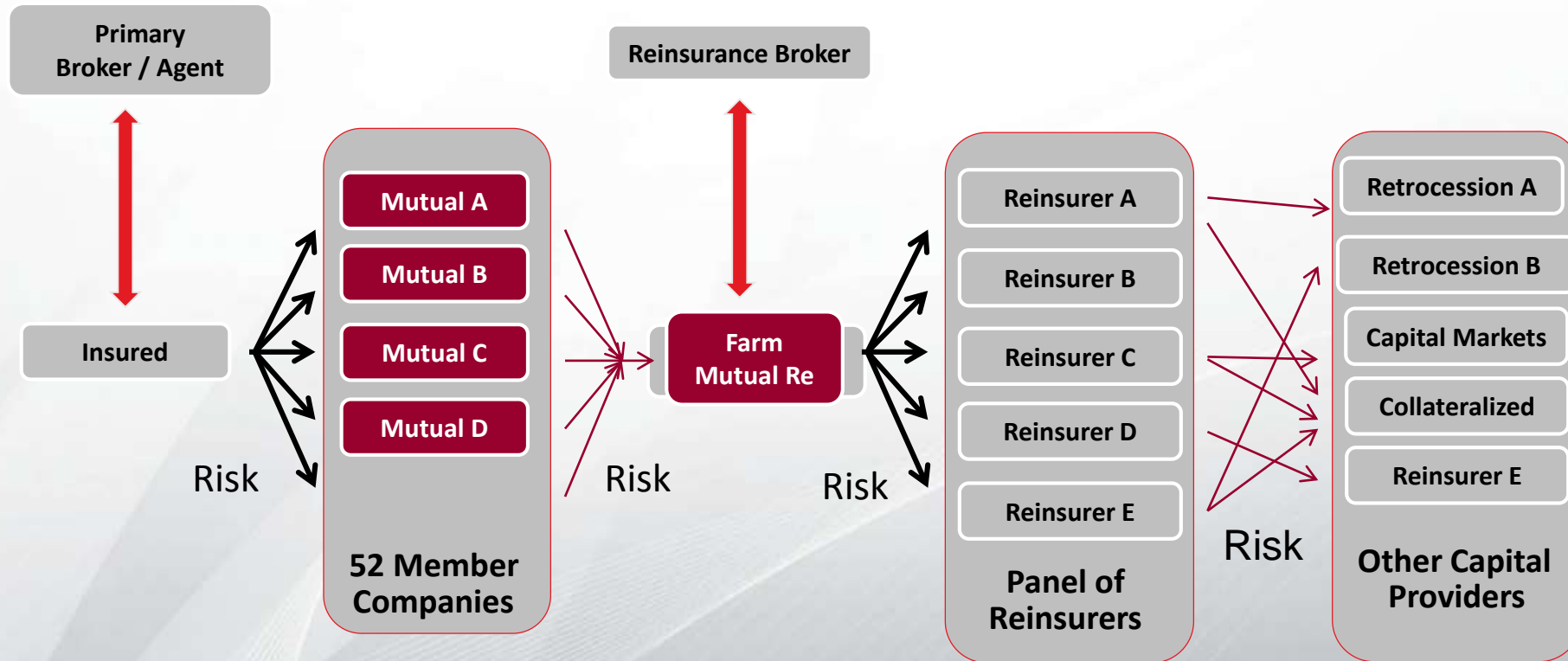


Smoothing of results



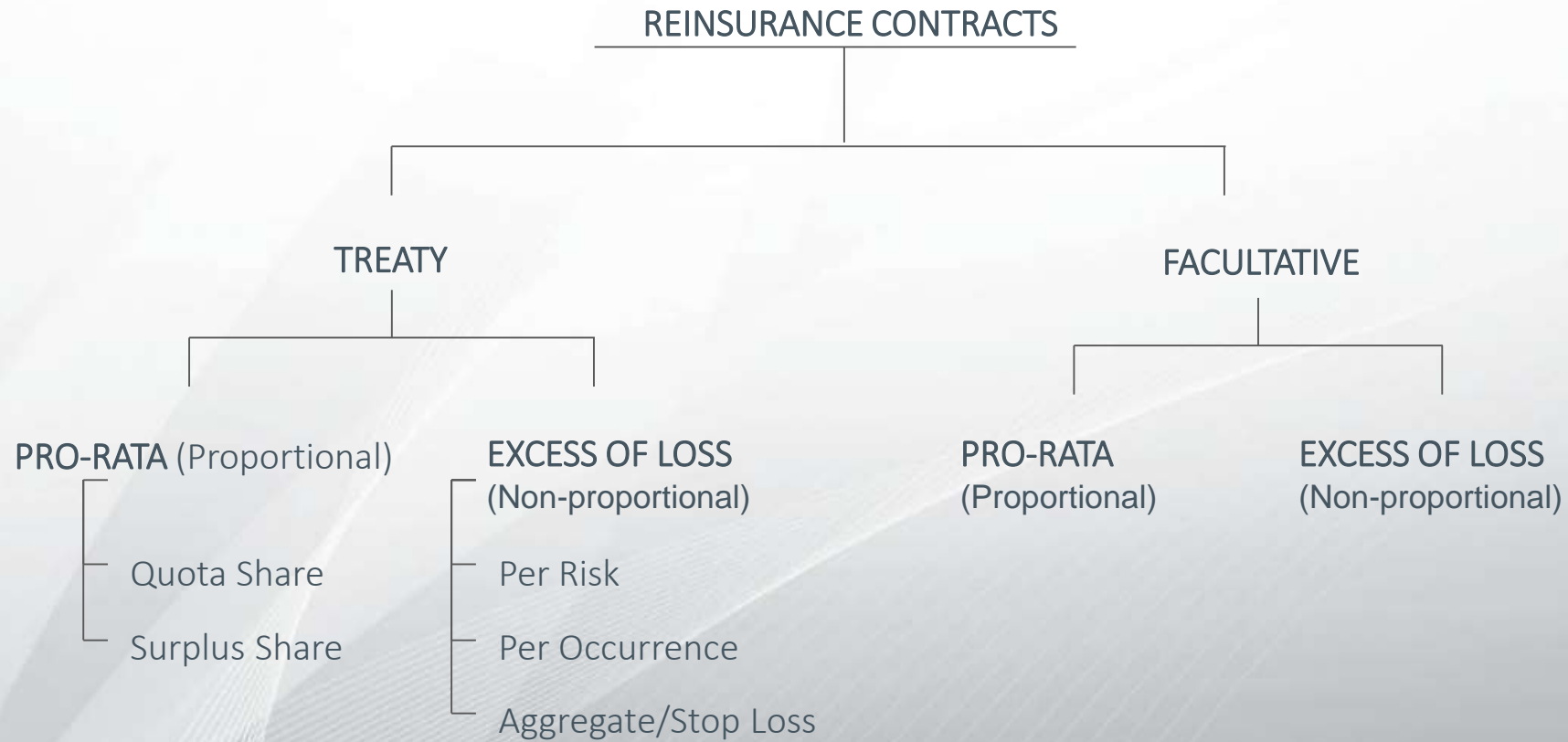
Flow of Risk

Insurance / Reinsurance Chain





Types and Forms of Reinsurance





Per Risk vs Per Occurrence vs Aggregate

Per Risk

- One retention per loss
- Each loss limited individually

Catastrophe

- One retention applies per loss occurrence, or event
- Limit applies to the sum of all claims from one event, or occurrence

Aggregate

- All NET losses within a defined class of business are grouped or aggregated
- The retention and limit is applied to this total amount



Excess of Loss Reinsurance (Non-Proportional)

- Reinsurer covers losses above a specified retention up to a predetermined limit as purchased by the ceding insurer
- Losses are only ceded to the reinsurer after the retention amount is exhausted.

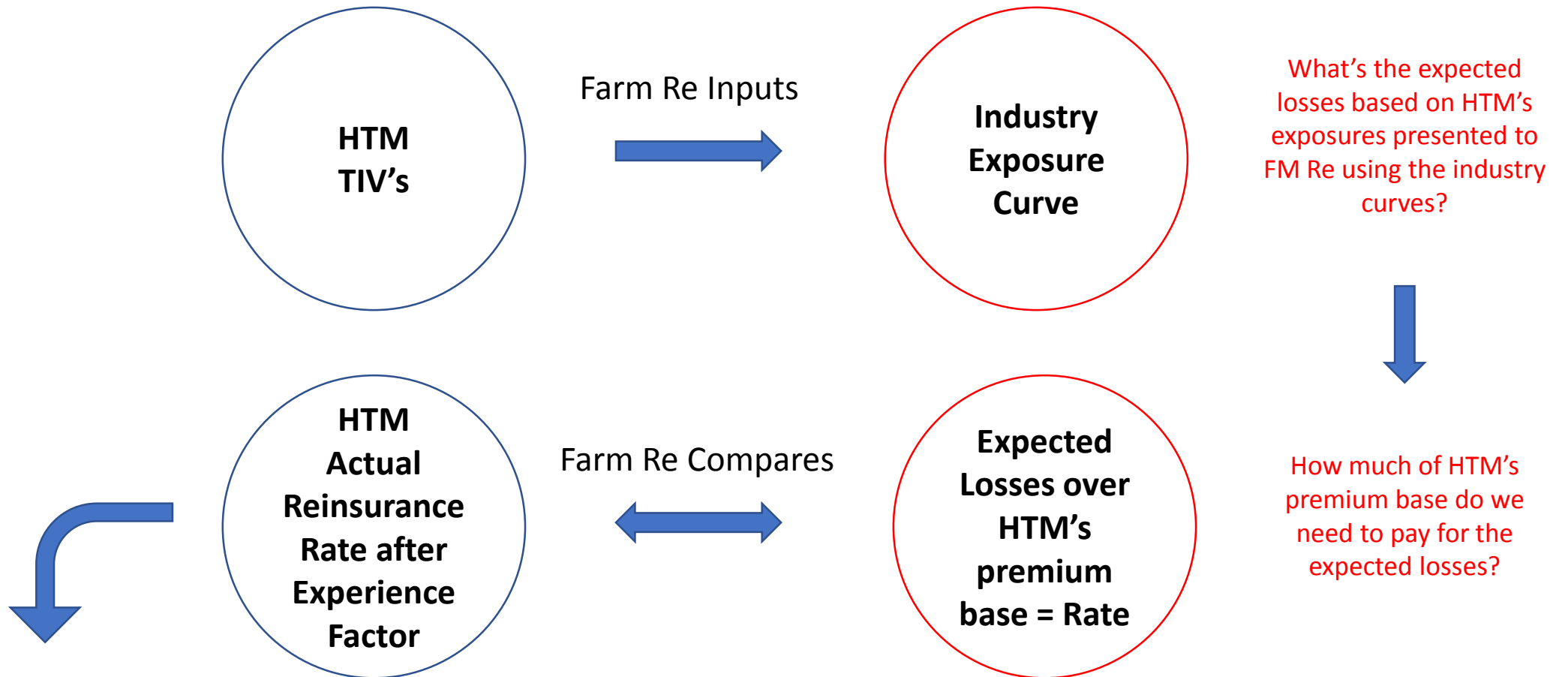
Excess of loss example



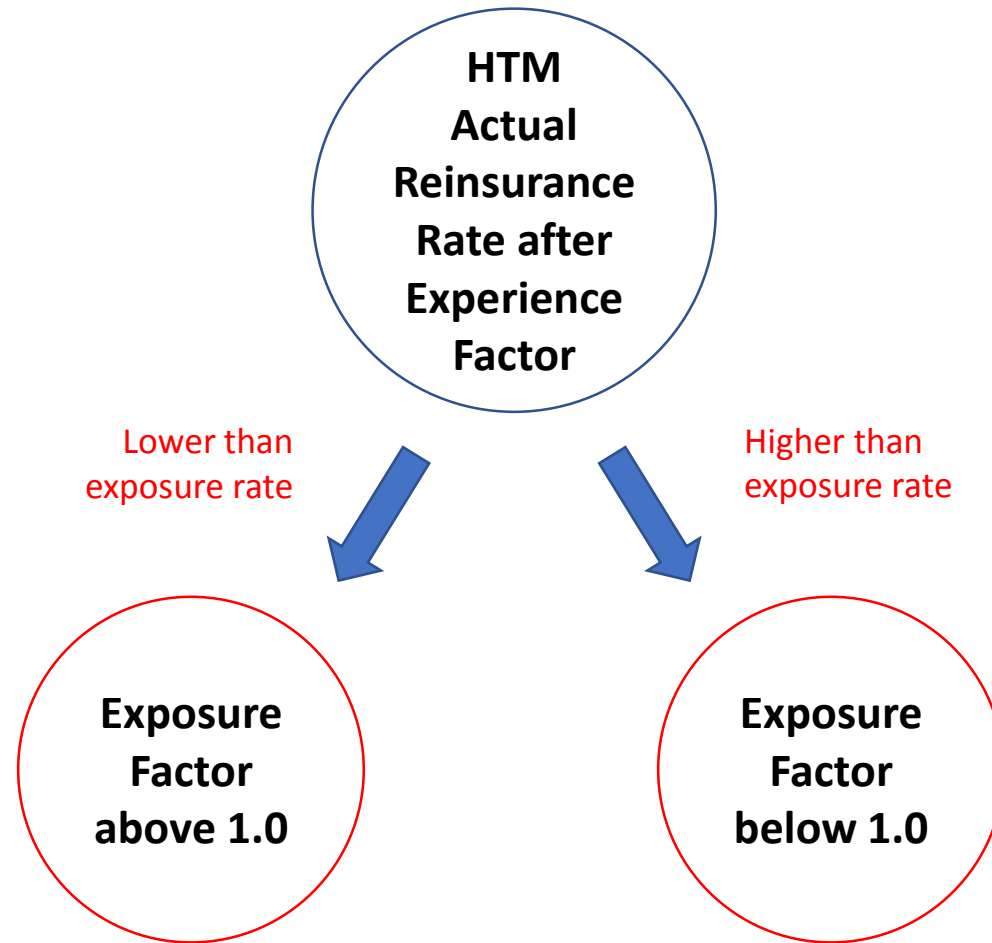
Reinsurance - Property



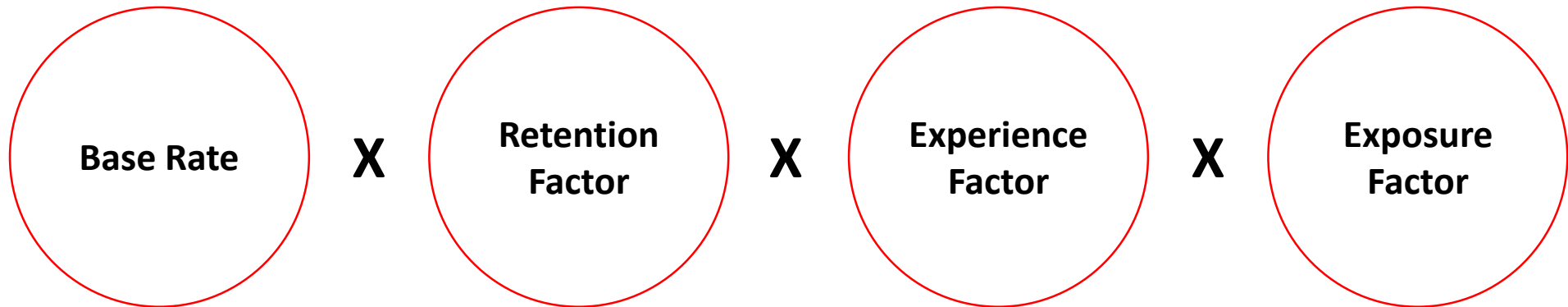
Property Rating



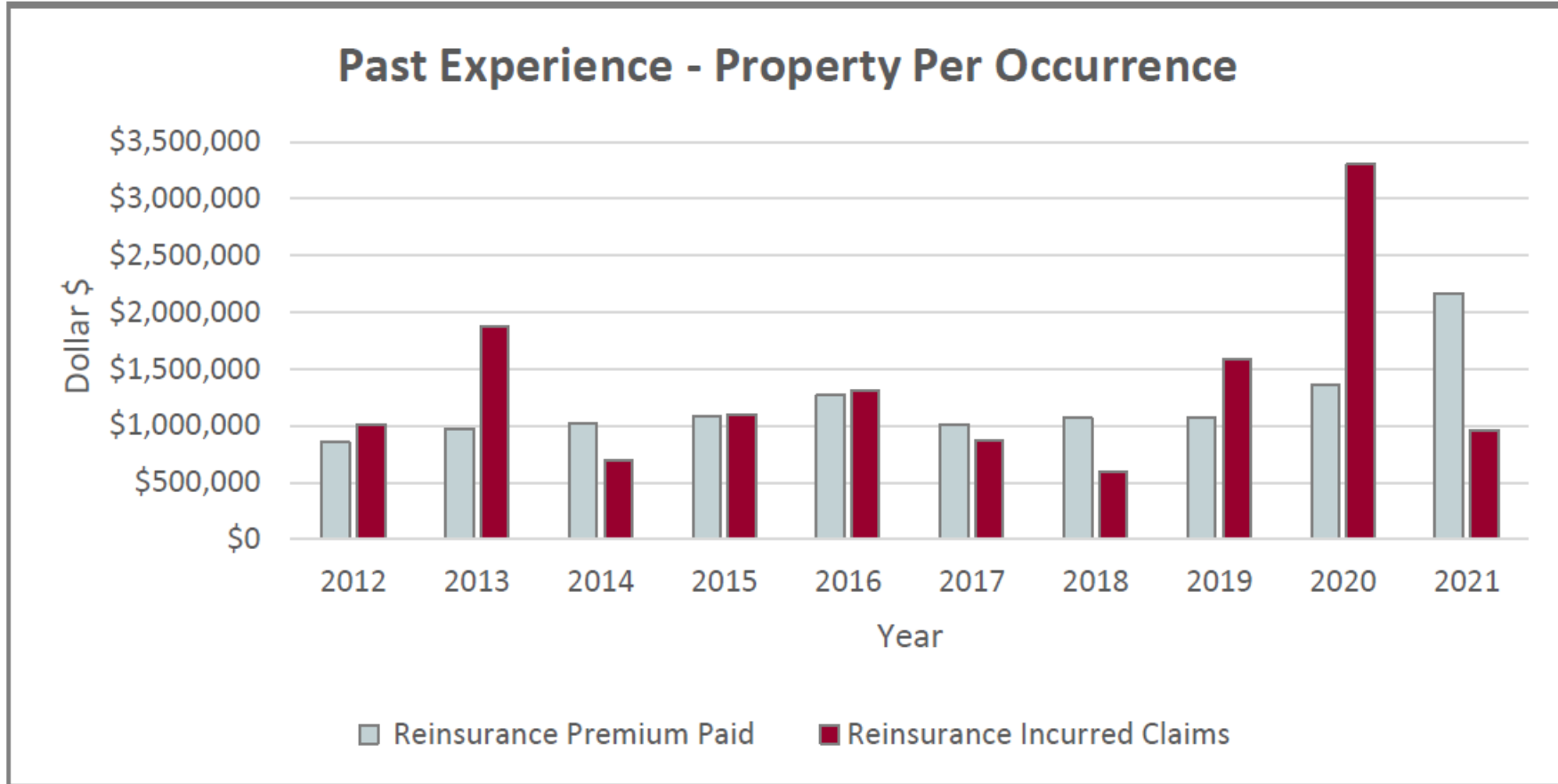
Property Rating



Property Rating – Formula



Property Experience

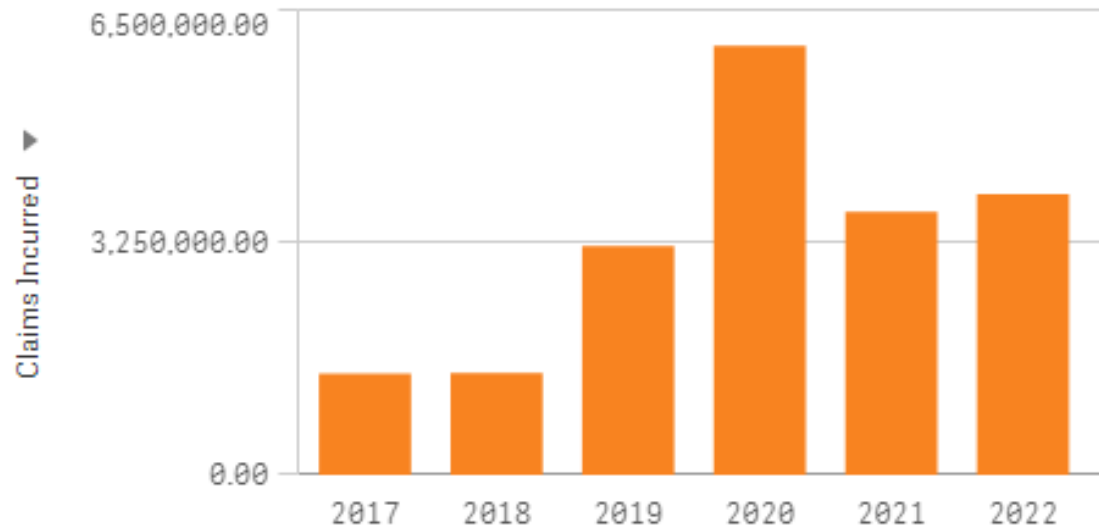


Property Experience

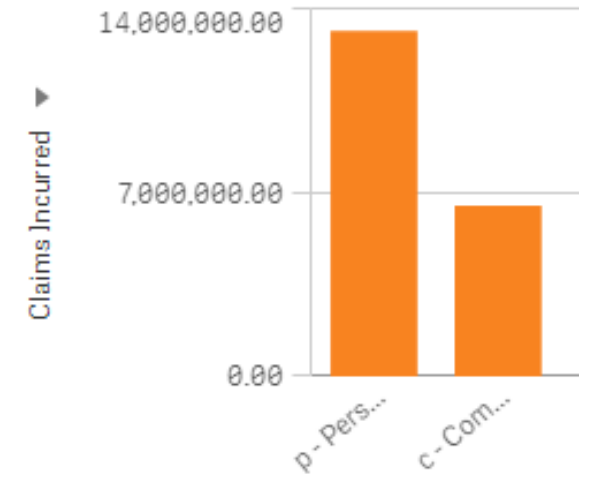
Year	Reinsurance Premium Paid	Reinsurance Incurred Claims
2012	856,326	1,014,344
2013	975,874	1,871,810
2014	1,028,940	699,214
2015	1,086,500	1,097,227
2016	1,269,148	1,317,175
2017	1,017,164	867,668
2018	1,070,130	598,443
2019	1,066,402	1,590,832
2020	1,361,722	3,303,331
2021	2,169,297	958,029
Total	\$11,901,504	\$13,318,073

Property – Large Losses over \$500,000

Large Losses - Claim Reported Year



Large Losses - Claim Class



Property – Number of Large Losses

Year	2016	2017	2018	2019	2020	2021	2022
500,000	3	1	2	4	4	3	3
550,000	3	1	2	4	4	3	3
600,000	3	1	2	3	3	2	3
650,000	2	1	2	3	2	2	3
700,000	2	1	1	2	2	2	3

of large losses over the amounts shown above by occurrence date.

As an example, in 2020 we had 4 large claims all exceeding \$500,000. Only 3 of them exceeded \$600,000 and 2 of them exceeded \$700,000.

Property – Compare @ Same Retention

\$600,000 Retention	Reinsurance Premium	\$ decrease or increase	% decrease or increase	Rate
2022	3,538,212			13.7%
2023	3,923,364	385,152	10.9%	15.2%

Based on Estimated 2023 Premium of \$26,890,000

Property – Compare Retention Options

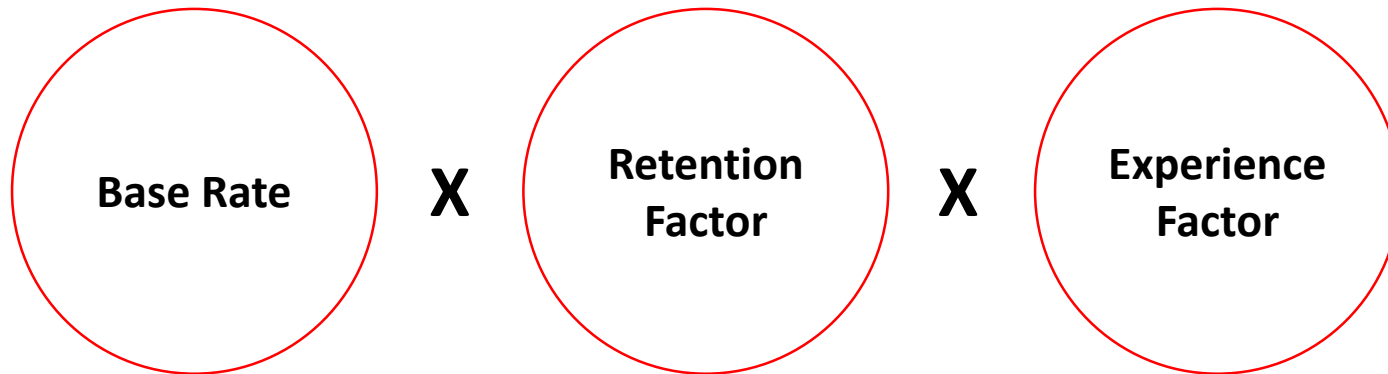
Retention	Reinsurance Premium	\$ savings or cost over current retention	% savings or cost over current retention	Rate	Estimated 10 year savings or cost
550,000	4,311,019	387,656	9.9%	16.7%	464,002
575,000	4,109,739	186,375	4.8%	15.9%	220,817
600,000	3,923,364			15.2%	
625,000	3,861,627	61,736	1.6%	15.0%	188,104
650,000	3,743,510	179,854	4.6%	14.5%	342,878

Based on Estimated 2023 Premium of \$26,890,000

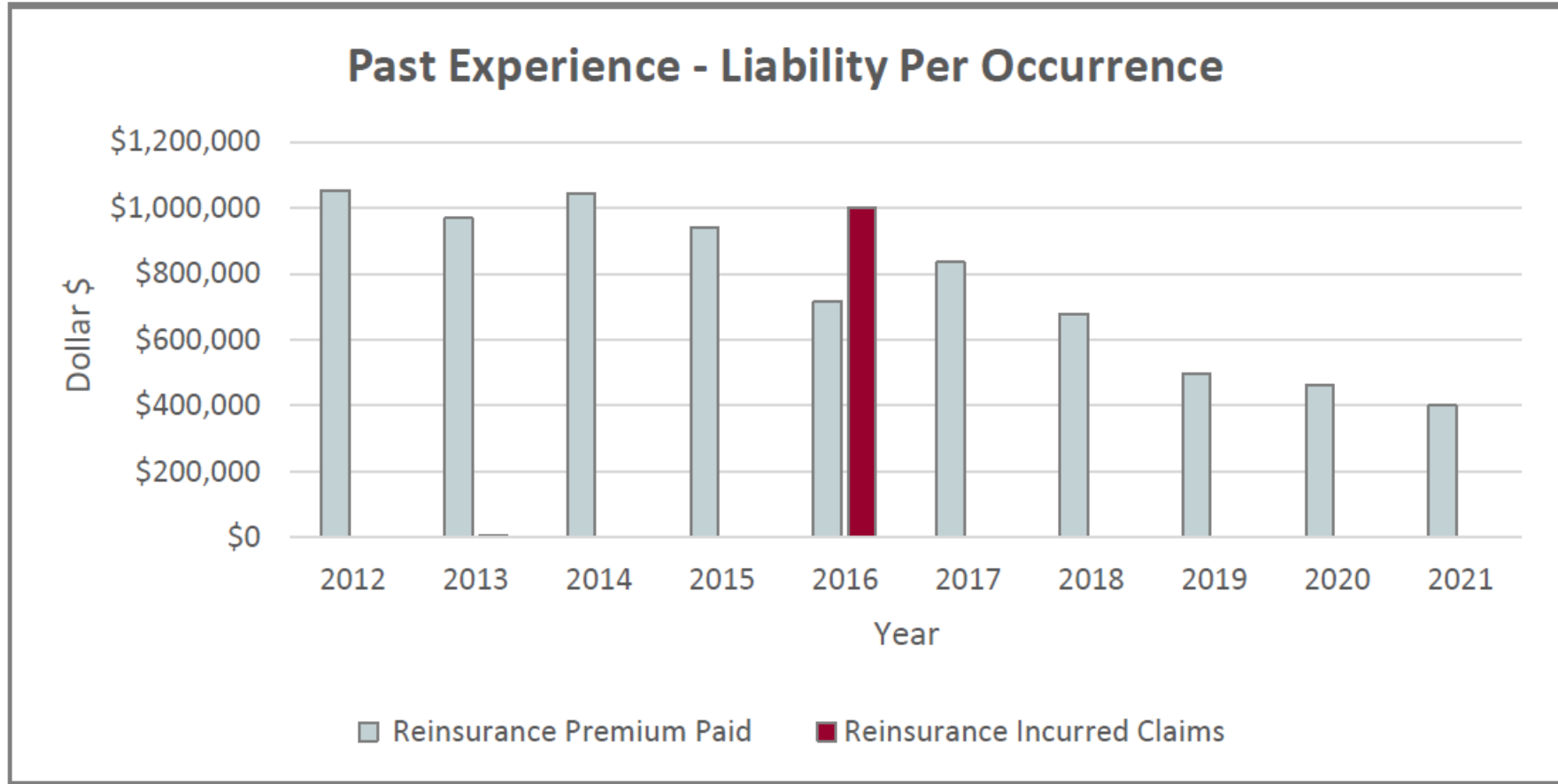
Reinsurance - Liability



Liability Rating – Formula



Liability Experience



Liability Experience

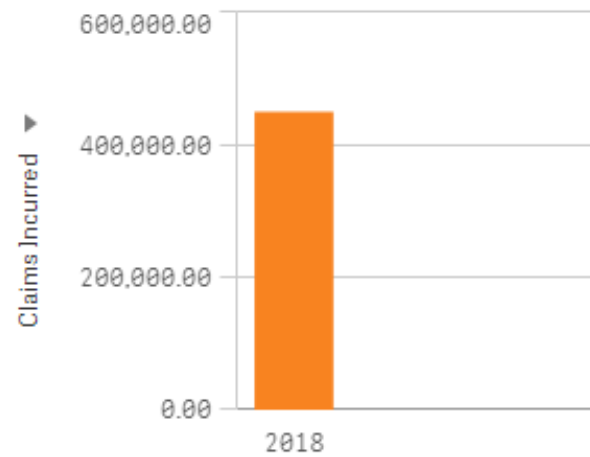
Year	Reinsurance Premium Paid	Reinsurance Incurred Claims
2012	1,054,094	0
2013	968,147	4,620
2014	1,044,680	0
2015	942,011	0
2016	714,299	1,000,607
2017	834,703	2,336
2018	678,331	890
2019	497,708	0
2020	461,574	0
2021	400,099	0
Total	\$7,595,646	\$1,008,453

**Please note there is no trending on the claims*

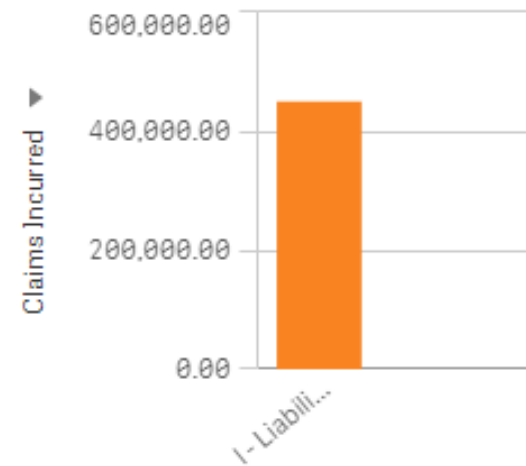
Liability – Large Losses over \$400,000

* By Reported Date

Large Losses - Claim Reported Year



Large Losses - Claim Class



Liability – Number of Large Losses

Year	2016	2017	2018	2019	2020	2021	2022
400,000	1	0	0	0	0	0	0
425,000	1	0	0	0	0	0	0
450,000	0	0	0	0	0	0	0
475,000	0	0	0	0	0	0	0
500,000	0	0	0	0	0	0	0

of large losses over the retentions shown above
based on Occurrence date

Liability – Compare @ Same Retention

\$450,000 Retention	Reinsurance Premium	\$ decrease or increase	% decrease or increase	Rate
2022	490,091			13.9%
2023	436,220	53,871	11.0%	12.4%

Based on Estimated 2023 Premium of \$3,502,000

Liability – Compare Retention Options

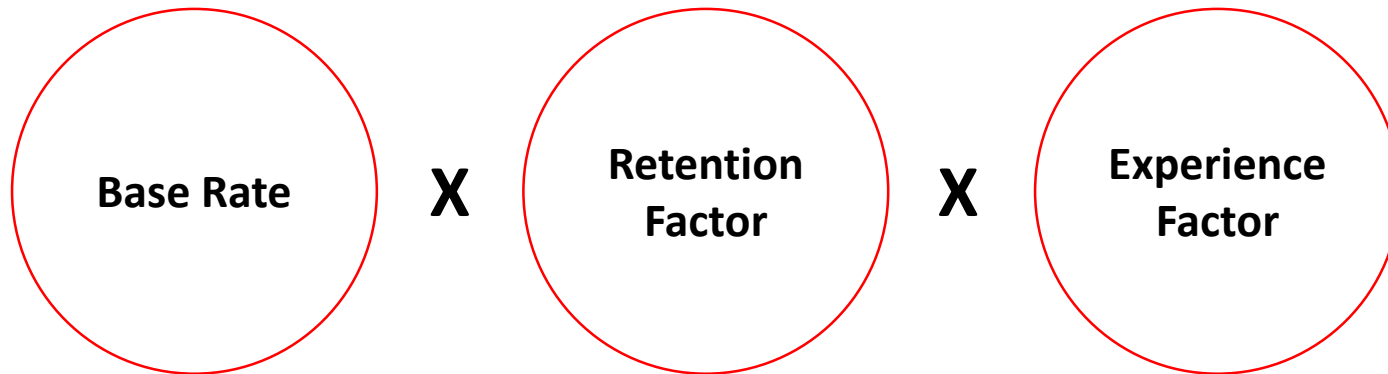
Retention	Reinsurance Premium	\$ savings or cost over current retention	% savings or cost over current retention	Rate	10 year savings or cost
400,000	483,437	47,217	10.8%	13.8%	277,150
425,000	458,948	22,728	5.2%	13.1%	131,540
450,000	436,220			12.5%	
475,000	415,050	21,170	4.9%	11.9%	119,090
500,000	395,232	40,987	9.4%	11.3%	227,390

Based on Estimated 2023 Premium of \$3,502,000

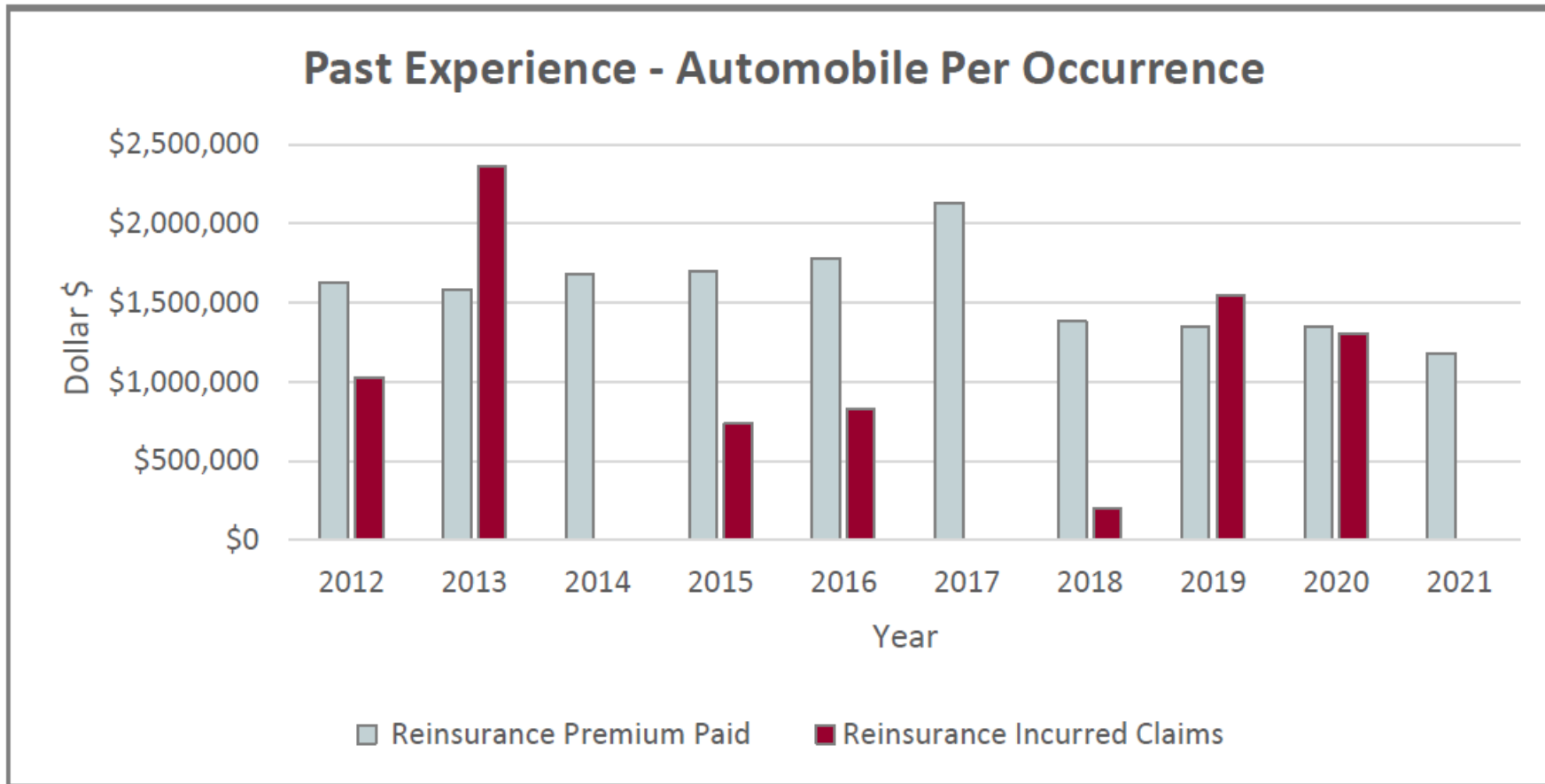
Reinsurance - Automobile



Auto Rating – Formula



Auto Experience



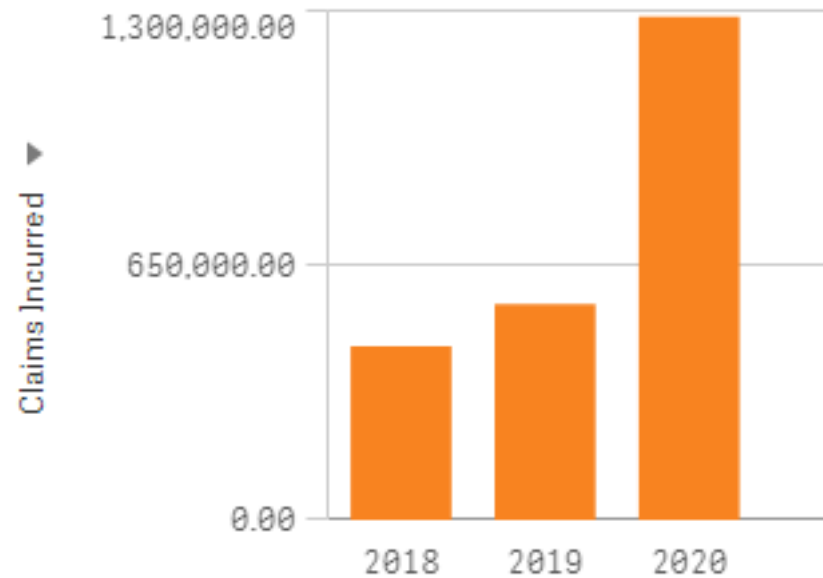
Auto Experience

Year	Reinsurance Premium Paid	Reinsurance Incurred Claims
2012	1,627,074	1,024,850
2013	1,586,231	2,359,862
2014	1,678,831	14
2015	1,700,100	736,856
2016	1,780,091	831,923
2017	2,128,952	0
2018	1,381,081	205,897
2019	1,352,196	1,550,028
2020	1,352,425	1,304,896
2021	1,182,735	0
Total	\$15,769,716	\$8,014,323

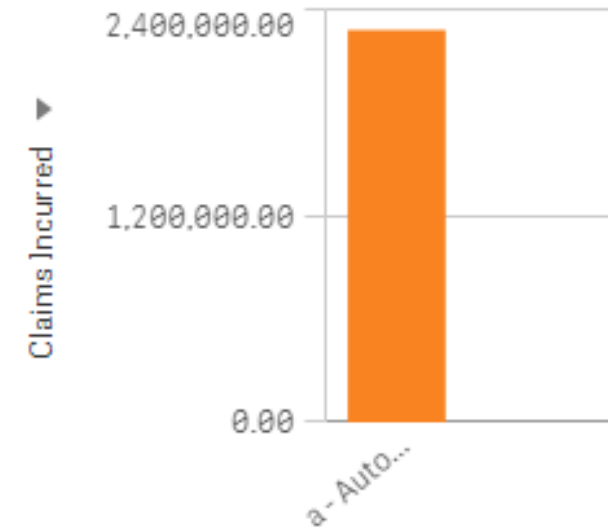
**Please note there is no trending on the claims*

Auto – Large Losses over \$400,000

Large Losses - Claim Reported Year



Large Losses - Claim Class



Auto – Number of Large Losses

Year	2016	2017	2018	2019	2020	2021	2022
450,000	1	0	0	1	2	0	0
500,000	1	0	0	1	1	0	0
550,000	1	0	0	1	1	0	0
600,000	1	0	0	0	1	0	0
650,000	1	0	0	0	1	0	0

of large losses over the retentions shown above based on Occurrence date

How to read this chart. Using year 2020. Two claims both exceeded \$450,000. One claim was only \$480,000, so only one of the claims exceeded \$500,000 or \$550,000. In fact it was over \$1M.

Auto – Compare @ Same Retention

\$500,000 Retention	Reinsurance Premium	\$ decrease or increase	% decrease or increase	Rate
2022	1,203,656			14.4%
2023	1,303,716	100,059	8.3%	15.6%

Based on Estimated 2023 Premium of \$8,383,000

Auto – Compare Retention Options

Retention	Reinsurance Premium	\$ savings or cost over current retention	% savings or cost over current retention	Rate	Estimated 10 year savings or cost
500,000	1,413,818	110,102	8.4%	16.9%	257,317
525,000	1,357,099	53,383	4.1%	16.2%	115,669
550,000	1,303,716			15.6%	
575,000	1,252,756	50,960	3.9%	14.9%	96,804
600,000	1,204,218	99,498	7.6%	14.4%	174,744

Based on Estimated 2023 Premium of \$8,383,000

Reinsurance - Summary



Summary

Year	Increase in 2023	Savings in Retention Changes	Net Cost
Property	385,152	61,736	323,416
Liability	(53,871)	40,987	(94,858)
Automobile	100,059	99,498	561
Total	431,340	202,221	229,119

* Based on recommended retentions

Recommendations

Line of Business	Retention		Comments
Property	\$625,000	+\$25,000	We are now at levels where activity is very few. We get 2 or 3 claims exceeding \$600k and at that point are usually much higher. This increase only covers inflation.
Liability	\$500,000	+\$50,000	It has been three years at the same retention and since 2016 with no losses exceeding \$400,000.
Auto	\$600,000	+\$50,000	Activity remains low but severe when it happens. Auto has some inflation factor to it, both physical inflation and social inflation. Rate offsets almost all of the increased costs.

These retention levels are all within our risk tolerance on reinsurance of 1.1% to 2% of Surplus (\$407k to \$720k)



FINANCIAL UPDATE

INCLUDING MCT ESTIMATES



Balance Sheet as at August 31, 2022

	2022	2021	% of <u>Change</u>
Cash & Investments	51,338,043	61,170,136	(16.1%)
Accounts receivable	9,493,797	9,470,033	0.3%
Reinsurance	18,114,982	6,256,052	189.6%
Broker Acquisition	1,357,111	312,033	334.9%
Building & Equipment	6,934,459	7,213,174	(3.9%)
Other Assets	<u>3,558,626</u>	<u>3,869,269</u>	<u>(8.0%)</u>
Total Assets	<u>\$90,797,017</u>	<u>\$88,290,698</u>	2.8%
Accounts Payable	575,427	454,408	26.6%
Due to Brokers	1,074,272	1,026,323	4.7%
Outstanding Claims	36,351,810	22,633,836	60.6%
Taxes Due	(2,629,734)	1,436,161	(283.1%)
UEP & Other Liabilities	<u>19,362,325</u>	<u>18,098,232</u>	<u>7.0%</u>
Total Liabilities	<u>54,734,101</u>	<u>43,648,960</u>	25.4%
Members' Surplus	<u>36,062,916</u>	<u>44,641,738</u>	(19.2%)
	<u>\$90,797,017</u>	<u>\$88,290,698</u>	2.8%

Income Statement to August 31, 2022

	2022	2021	% of Change	% of EP 2022	% of EP 2021
Premiums	25,031,384	23,736,796	5.5%		
Reinsurance Premiums	3,553,911	2,829,930	25.6%		
Increase (Decrease) in UEP	<u>1,152,832</u>	<u>704,618</u>	63.6%		
Net Premiums Earned	20,324,642	20,202,249	0.6%		
Policy Interest / Charges	<u>360,608</u>	<u>328,979</u>	9.6%		
	<u>\$20,685,250</u>	<u>\$20,531,228</u>	0.8%		
Gross Claims & Adjusting Incurred	28,755,199	5,088,479	465.1%	141.5%	25.2%
Reinsurance Recoveries	<u>13,140,520</u>	<u>(119,882)</u>	(11061.2%)	64.7%	(0.6%)
Net Claims Incurred	15,614,679	5,208,361	199.8%	76.8%	25.8%
Policy Acquisition Expenses	5,047,001	4,707,194	7.2%	24.8%	23.3%
All other Expenses	<u>3,704,288</u>	<u>3,068,411</u>	20.7%	18.2%	15.2%
General Expenses	8,751,290	7,775,605	12.5%	43.1%	38.5%
Underwriting Profit / (Loss)	<u>(\$3,680,719)</u>	<u>\$7,547,263</u>	(148.8%)	119.9%	64.3%
Investment Income	(4,409,112)	1,787,816	(346.6%)		
Income Tax Expense	<u>(2,022,792)</u>	<u>2,333,700</u>	(186.7%)		
Net Profit / (Loss)	<u>(\$6,067,039)</u>	<u>\$7,001,379</u>	(186.7%)		

Income Statement to August 31, 2022 - Detailed Expenses

	2022	2021	% of <u>Change</u>	2022 % of <u>Earned</u>	2021 % of <u>Earned</u>
Policy Acquisition Expenses	5,047,001	4,707,194	7.2%	24.8%	23.3%
Directors Fees and Benefits	159,197	137,370	15.9%	0.8%	0.7%
Professional Fees	54,761	44,844	22.1%	0.3%	0.2%
Salaries and Benefits	1,369,092	1,205,634	13.6%	6.7%	6.0%
Travel Expenses & Meals	20,486	5,302	286.4%	0.1%	0.0%
Advertising & Donations	62,683	65,057	(3.6%)	0.3%	0.3%
Conventions & Annual Meeting	53,836	1,141	4617.1%	0.3%	0.0%
Education	32,777	24,740	32.5%	0.2%	0.1%
Depreciation	168,161	194,892	(13.7%)	0.8%	1.0%
Sundry / Other	73,127	20,361	259.2%	0.4%	0.1%
Membership Fees	64,755	68,030	(4.8%)	0.3%	0.3%
Government & Regulatory	141,857	64,222	120.9%	0.7%	0.3%
Building Expenses	145,303	134,698	7.9%	0.7%	0.7%
Office Expenses	133,864	115,917	15.5%	0.7%	0.6%
Technology	667,144	481,244	38.6%	3.3%	2.4%
Risk Analysis & Prevention	443,157	391,358	13.2%	2.2%	1.9%
Bank Charges	<u>114,089</u>	<u>113,600</u>	<u>0.4%</u>	<u>0.6%</u>	<u>0.6%</u>
General Expenses	<u>\$8,751,290</u>	<u>\$7,775,605</u>	12.5%	43.1%	38.5%

MCT (Minimum Capital Test)

Where could we land by December 31st 2022

	<u>Best</u>	<u>Average</u>	<u>Worst A</u>	<u>Worst B</u>
Earned Premium	31,906	31,906	31,906	31,906
Claims & Expenses	33,218	34,118	37,118	37,118
Underwriting Profit	(1,312)	(2,212)	(5,212)	(5,212)
Investment Income	(4,175)	(5,175)	(6,175)	(6,175)
Net Profit after Tax	(4,116)	(5,541)	(8,541)	(8,541)
Cash & Bonds	39,038	37,613	35,858	38,858
Equities	15,533	15,533	14,533	11,533
Total Assets	91,928	90,503	87,503	87,503
Liabilities	53,914	53,914	53,914	53,914
Surplus	38,014	36,589	33,589	33,589
MCT	369%	354%	332%	352%



BROKER FORUM

UPDATE



-
- Very positive
 - Underwriting flexibility
 - Product gap
 - Meeting / reconnecting with the underwriters
 - Acquisition of new people a challenge for brokers
 - Education – health and wellness for their staff



CLAIM

ONE STAFF CLAIM





MOTION

“To acknowledge the staff claim as presented”



OTHER BUSINESS

POLICY, EDUCATION, FOODBANK



OTHER BUSINESS

- Education session
- Food bank
- 125th celebration
- Electronic Monitoring Policy



MOTION

“To accept the Electronic Monitoring policy as presented”

ADJOURN



THANK YOU