

For the Board Meeting of: 12/16/2021

Executive Summary

November was a very tough month for me and the team. Not so much that the work was difficult, but the loss of Brandon was extremely difficult. I couldn't talk about it in the previous month's report as it was too early for me at that time. Brandon was a good friend, a great co-worker and overall, an amazing bright light in the company. Brandon and I were involved with many activities together in the company with the Social Committee, back-and-forth bantering about our favourite sports teams, sharing stories about our kids growing up (as they're around the same ages) and we've just started in planning our multiple golfing opportunities in the coming year. His passing was a huge loss to us, our HTM family and to our community. I will deeply miss him, his smile and the positivity he brings to all of us. I know that his legacy will continue to live on here at HTM and in my heart. Trying to balance this tragedy with the work at hand made November a very challenging month. Within the department, we kept up the servicing standards so workwise, we're in great shape. The management team attended budget reviews for 2022. I am also in a small informal group of Commercial U/W managers in the mutual community that's currently reviewing the Builder's Risk wordings with Farm Re. K&E Mutual and HTM performed an external audit on the Commercial Lines book of business on each other to look at whether there are any best practices we can learn from each other (results are shown below). The last couple weeks of November was used to conduct all the "1-on-1" annual reviews of all the team members in the department. Having 13 direct reports meant a very busy second half of November for me. In addition to all that, I was involved with the Social Committee in putting together the float for the Cobourg Santa Claus parade. I was also involved with the hiring process for an Underwriting Manager for OMAP as I work with the Tyler, the VP of OMAP. Keeping busy is a good thing as it does help numb the pain and heartache and I hope that time will heal all of our hearts.

Update on my Department

The underwriting team is continuing on the Covid office schedule to ensure spacing and distancing. In terms of servicing, we have maintained and exceeded our service standards despite a difficult November. The final draft of our Underwriting Manual is now complete and will be made effective for January 2022. I have already sent out a broker bulletin so inform them of the manual update along with letting them know our automatic Inflationary increase on property at 5% and the reinstatement of NSF/Short Rate penalty fees. Kudos to the entire Underwriting team in helping out make our manual easier for

both underwriters and broker/agents to use. All team members have completed their 1-on-1 annual reviews with me and their employee assessments are now complete on BambooHR. Overall, the sentiment from the team is positive and they are happy to be in the department. Let's hope that the merit review in December will keep that positive sentiment at the same level!

K&E Mutual & HTM Insurance – External File Audit (Commercial)

I mentioned above that the underwriting departments at K&E Mutual and HTM agreed to perform an external file audit on each other in November and the results of the audit overall were positive. Here are the details of the audit:

- **Final audit result: 97.7%**
- A random selection of 20 file where chosen for the audit (13 new business, 7 renewals)
- Underwriting guidelines were adhered to consistently as per our risk appetite
- Business written fell within the appetite of a mutual insurer
- Appropriate wordings/coverage were applied to the risks

ACTION ITEMS

- File organization needed improvement as information was scattered across many different attachments that were often unnamed and included multiple times (e.g. email chains). The U/W responsible might know what's going on but anyone else picking up the file will have difficulty following the thought process
- Rating of policies were difficult to follow of how underwriter arrived at the final rates (e.g. book rates and the use of discounts/surcharges)
- Industry standard deductibles of Flood and Earthquake not used

This exercise was a useful tool for HTM to improve our files and thought process so that documentation is consistent to make files easier to understand. This is the first step in revamping the workflow process in the Underwriting department as these best practices can be used for all lines of business moving forward. I am also looking into a file audit process moving forward for all lines to ensure consistency and adequate documentation is on all files.

The team members are continuing in working well together as the team is charted for growth is on-course. Many of my team members are taking their CIP/CRM courses and focused on their career growth. I'm happy to report that Nicholas Ainsworth will be converted to full-time status from Contract effective January 2022. Nick has been a great addition to the team and changing him to full-time status will hopefully ensure that he will stay with HTM on a long-term basis.

Update on Major Goal(s)

Training Videos for Staff

I have completed my 2021 goal of 10 training videos. The subjects covered include:

- Facultative Submission Training for Farm Re
- Introduction to HTM
- Water Underwriting Training
- What is Co-Insurance
- What is a Certificate of Insurance
- Hold Harmless Agreements
- Insurance to Value
- Vacant and Unoccupied risks
- Umbrella Liability
- Expectations of Underwriters

I will be continuing in doing these training videos in 2022.

Emerging or Future Issues

Christine and I will be meeting in mid-December with Collectivfide in regards to some potential acquisitions by them of brokers that have a contract with HTM. This is excellent news moving forward as these acquisitions will solidify the HTM book of business and not have this business transfer out into another market. More details to follow in my December report.

Underwriting Results

Underwriting growth decreased in November to a stagnant 0.41% growth. The result of this is due to a large renewal in Commercial that was lost due to poor claims experience as stated by the insured. The slow November has decreased our YTD growth at the end of November to 3.86%. I hope that by the end of 2021, we can be over the 4% growth mark. The Commercial line decreased by 14.3% whereas the automobile and farm line of business stayed even with Residential showing a 6% increase in the month.

Premiums Written - (for the Month)

By Policy Class with Budget Comparison

Policy Class	Current	Prior	Change #	Change %	Budget	Off Budget \$	Off Budget %
Auto	689,470	690,947	(1,477)	(0.2%)	812,218	(122,748)	(15.1%)
Commercial	251,847	293,859	(42,012)	(14.3%)	335,340	(83,493)	(24.9%)
Farm	806,545	825,517	(18,972)	(2.3%)	842,298	(35,753)	(4.2%)
Residential	1,311,265	1,236,186	75,079	6.1%	1,344,580	(33,315)	(2.5%)
Total	3,059,127	3,046,509	12,618	0.4%	3,334,436	(275,309)	(8.3%)

Our new policy count for November ended at 166 policies which is a decrease from 226 policies from the same time last year. As compared to the previous month, we actually wrote more policies this month.

New Policy Count - (for the Month)

By Policy Class

Policy Class	Current	Prior	Change #	Change %
Auto	43	59	(16)	(27.1%)
Commercial	21	25	(4)	(16.0%)
Farm	16	18	(2)	(11.1%)
Residential	86	124	(38)	(30.6%)
Total	166	226	(60)	(26.5%)

The only line that showed an increase for new business premiums is Commercial this month with all the other three lines showing decreases. I predict that with what happened at HTM in November, there are some outstanding new business from November that has not yet been processed which will show up in December. As a result, the December premium numbers should show some positivity.

New Policy Premiums - (for the Month)

By Policy Class

Policy Class	Current	Prior	Change \$	Change %
Auto	60,262	71,034	(10,772)	(15.2%)
Commercial	56,980	47,266	9,714	20.6%
Farm	43,914	53,622	(9,708)	(18.1%)
Residential	128,785	170,576	(41,791)	(24.5%)
Total	289,941	342,498	(52,557)	(15.3%)

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "W. Farentz".

“We act with heart.”

We care about what you care about. We are thoughtful and considerate of your needs and well-being.