

PRESIDENT'S BOARD REPORT FOR 2020

Social distancing, circuit breaker, super spreader event, mandatory mask wearing, Zoom and most importantly COVID-19. Thirteen months ago these words and terms were not part of our vocabulary if we even knew what they meant. Now, like it or not, they are words that we use every day.

Good afternoon policy holders, special guests, staff and Board members, ladies and gentleman:

Welcome to the 111th Annual General Meeting of the Antigonish Farmers' Mutual Insurance Company and the second virtual AGM in the history of our company. As your President it is my pleasure to report to you on the behalf of our Board of Directors. I would like to begin by introducing to you my fellow Board members; Duncan MacInnis, Sid Taylor, Bruce Sinclair, Stephen Eadie, Greg MacPherson, Gerry Grant, Sean Cameron and myself Joanne Van der Linden.

I would also like to extend a warm welcome to our guests in attendance.

2020 was a successful year for the company from a financial perspective. Net gross written premium increased by over 6% to about \$7,000,000. Company administrative expenses increased by 7.5% in 2020, due in large part to the implementation of our new Insurance Management Computer System, Cognition+. Meanwhile, claim results improved significantly in 2020 when compared to the previous year, both in terms of claims frequency and severity. We ended the year with a small underwriting loss of \$120,426. We had significant investment gains, much of it due to realized gains on the sale of investments, which resulted in bottom line income for 2020 of over 1.4 million dollars, before tax.

Brian Morgan, our General Manager, and our auditor will be going into greater details in their reports.

On the management side I would like to congratulate Brian Morgan and our staff on their ability to navigate COVID-19. The early days of the pandemic were extremely stressful for all concerned with way more questions than answers.

Navigating the rules and regulations from the Health authorities was a challenge as they kept changing as more information became available. The health and safety of our staff as well as the service to you, our policy holders, was at the forefront of every decision made by Management. Through a combination of part of the staff working from home, social distancing in the office and installation of barriers Antigonish Farmers Mutual was able to carry on doing business in a timely and effective manner. Your Board is extremely proud of the fact that there was not one single day when you, our policy holders, could not reach our office either by phone or in person. This is a clear indication of the dedication of our Management and staff.

The other big change that was ongoing this year was the roll out of the new computer system. It is never easy to change the way that you have been doing something for 30 years for something completely new. However the change to the Cognition+ computer system was a very necessary and timely one. As our regulators require more and more data we need to be able to provide this in a more efficient manner as well as provide our staff with the means to do their jobs more efficiently as well. It has been a steep learning curve for all involved and not always an easy one. The end will justify the means but getting there is a process.

At Board level things changed as well. Early in the year our meetings were all held virtually. As the year has progressed we have evolved to some Board members in the Board room and some on Zoom. Because we have a large Board room which allows us to socially distance we do have the capability to hold our board meetings in person however we feel that it is best to give our Board members the option of doing what they feel most comfortable with.

Your Board of Directors met five (5) times during 2020; the Audit Committee met four (4) times; the Executive Committee met four (4) times; the Conduct Review Committee met twice; the Human Resources Committee met four (4) times, while the Nominating Committee did not meet during 2020.

Two committees that we very active this past year were the Human Resources Committee and the Audit Committee. The Audit Committee did a complete review of our investment policies and after careful consideration hired a new

investment advisor, David Higgins of CIBC Wood Gundy. The HR Committee undertook a complete review of the Employee handbook. A number of changes have taken place since the last review of the manual both in the office and in workplaces in general including the government rules and regulations that govern workplaces.

One of the activities that your Board was not able to complete this past year was a Strategic Planning Session. COVID-19 regulations did not allow us to gather in sufficient numbers to complete this process. Your Board decided to postpone the review until we can all meet in person, hopefully this fall. This is a very important process and we would like to have the full participation of all Board members and designated staff. This does not always happen on Zoom.

As many of you will have heard there is a proposed merger between Kings Mutual Insurance Company, the largest of the three mutual companies in Nova Scotia, and Heartland Mutual Insurance, a company from western Ontario. Will that change the mutual insurance business in Nova Scotia, and throughout the Maritimes? At this point we do not know, however this merger certainly has the potential to do just that. How will it affect Antigonish Farmers' Mutual? Once again we do not know. However your Board feels that we need to continue to be informed, open minded and financially strong and viable. Will we need to be open to change in 2 years, 5 years or 10 years? Currently there are more questions than answers. We will continue to do what we have always done, grow our company and maintain a strong financial position. As we all know you cannot construct a strong building on a shaky foundation. In order to be in a position of strength we need to continue to build upon the successes and direction of our past Managers and Boards.

Your Board is going to be evolving and changing over the next four years, perhaps more so than at any other time in the history of our Board. Within the next four years four of our current eight Board members will be leaving the Board and we currently have one vacant seat. This means that we will need to fill five vacant seats. No easy task. The responsibilities of Board members has changed significantly in the last decade. The insurance industry is highly regulated. As such

Board members have a number of responsibilities and duties that we did not even think about in the past. As the nominating committee undertakes the search for new Board members there will be a number of factors to consider, namely the skill set of new Board members and Board diversity. Does the new member or potential new member have expertise in governance or a particular knowledge in business, HR, legal, accounting or insurance? As a Board we will be identifying the skills that we feel that we are missing on the Board and attempt to recruit new Board members who will fill some of these gaps. In the area of board diversity we are going to be taking a hard look at that. Board diversity can mean a number of things; geographic diversity, age diversity, male to female ratio, and ethnic diversity. As you can see your Board has their work cut out. If you, our policy holder, have any suggestions for new board members we would certainly welcome your input.

One of the pillars of any mutual insurance company is the support that we provide to community organizations. This past year we made significant contributions to the St. Martha's Regional Hospital Foundation, the Positive Action for Keppoch Society, and the Antigonish Farmers' Mutual Agricultural Centre, plus smaller contributions to other organizations throughout our coverage areas. We feel it important to support the educational and career aspirations of our policy holders' children. In 2020 we provided scholarships to eight eligible graduating high school students in the amount of \$1,250 each.

Farm Mutual RE, our mutually owned reinsurance company, made a two million dollar donation to the mutual companies. We were each given \$41,000 to donate to organizations in need in our local communities. Each company could donate the money as they saw fit. We decided to donate the money in all of the areas where we write business. The majority of the money went to food banks, transition houses and the VON. Many of the groups or organizations that we supported in the past were not operating due to COVID-19. Last spring, because of COVID-19, food and shelter became a priority for many individuals in our communities.

In closing I would like to extend a sincere thank you on the behalf of the Board to Brian Morgan, our General Manager, for his guidance and leadership during what has been a very challenging year. As well I would like to thank our staff, agents and fellow Board members for their contributions to Antigonish Farmers' Mutual. Finally I hope that we can hold this meeting next year in person and enjoy the friendship and cooperation that form the foundations of the mutual system.

Respectfully Submitted,

Joanne Van der Linden, Company President and Board Chair