

TO: MEMBERS OF THE FACILITY ASSOCIATION

ATTENTION: CHIEF EXECUTIVE OFFICER

BULLETIN NO: F2021-031

DATE: May 13, 2021

SUBJECT: DRAFT MINUTES OF THE ANNUAL GENERAL MEETING

Please find attached, for your information, the draft minutes, Chairman's remarks and President's remarks from the Facility Association Annual General Meeting held March 4th, 2021.

Saskia Matheson
President & CEO

Attach.

Facility Association

DRAFT MINUTES OF THE ANNUAL GENERAL MEETING HELD BY ELECTRONIC MEANS ON MARCH 4TH, 2021

1. The President read the notice of meeting dated February 2, 2021 (Bulletin F2021-008) and confirmed the presence of a quorum.

Residual Market	1317	Votes represented in person
Residual Market	1139	Votes represented by proxy
Residual Market	2456	Total represented (out of 3142 votes)

Ontario RSP	936	Votes represented in person
Ontario RSP	836	Votes represented by proxy
Ontario RSP	1772	Total represented (out of 2342 votes)

Alberta RSP	267	Votes represented in person
Alberta RSP	238	Votes represented by proxy
Alberta RSP	505	Total represented (out of 600 votes)

New Brunswick RSP	34	Votes represented in person
New Brunswick RSP	25	Votes represented by proxy
New Brunswick RSP	59	Total represented (out of 91 votes)

Nova Scotia RSP	47	Votes represented in person
Nova Scotia RSP	25	Votes represented by proxy
Nova Scotia RSP	72	Total represented (out of 107 votes)

Newfoundland & Labrador RSP	33	Votes represented in person
Newfoundland & Labrador RSP	18	Votes represented by proxy
Newfoundland & Labrador RSP	51	Total represented (out of 67 votes)

2. On **MOTION** made by Dawn Anderson, **SECONDED** by Bob Hillman and **CARRIED**, the Minutes of the Facility Association Annual General Meeting held on February 20th 2020, as previously circulated, were approved.

3. **THE CHAIRMAN'S REMARKS – ATTACHED**

4. **THE PRESIDENT'S REMARKS – ATTACHED**

5. **REPORTS OF THE PROVINCIAL OPERATING COMMITTEES**

The written reports were attached to the Agenda. The Chairman noted that not all of the Chairpersons were present, however, the President or the Committee staff liaison would be responding to questions on their behalf.

On **MOTION** made by Sharon Turnbull, **SECONDED** by Bob Hillman and **CARRIED**, the reports were adopted.

6. REPORTS OF THE ADVISORY COMMITTEES

The reports of the Advisory Committees were circulated with the Agenda. The Chairman asked if there were any questions arising from these reports and indicated that the President or the Committee staff liaison were present to answer any questions.

On **MOTION** made by George Hardy, **SECONDED** by Bob Hillman and **CARRIED**, the reports were adopted.

7. NOMINATING REPORT

Karen Dyberg presented the Nominating Report on behalf of the Governance and Human Resources Committee.

Nominated for election to the Board of Directors for a two-year term expiring in the year 2023:

Chris Cooney, TD Insurance
Michel Dionne, Aviva Canada
Bob Hillman, Alberta Motor Association
Amanda Ketelaars, Mitchell & Whale Ltd. IBAC Ontario
Jay Kimball, GotoInsure Saint John IBAC Atlantic
Penny-Lynn McPherson
Sharon Turnbull, Farm Mutual Re

Nominated for election to the Board of Directors for a period of one year ending at the Annual General Meeting in 2022:

Louise Morsi, Economical Insurance

Karen Dyberg noted that the President is a member of the Board by virtue of her office.

8. ELECTION OF DIRECTORS

The Chair asked if there were any nominations from members in attendance. There being none, on **MOTION** by Michel Dionne, **SECONDED** by George Hardy and **CARRIED**, **IT WAS RESOLVED** that nominations be closed. As there were no further nominations, the Chairman directed that a single ballot be cast in favour of those nominated.

9. INDEPENDENT DIRECTOR REMUNERATION

On **MOTION** made by George Hardy, **SECONDED** by Dawn Anderson and **CARRIED**, **IT WAS RESOLVED** that the independent director remuneration is established as follows:

- 1) An annual retainer of \$50,000, which encompasses both stipend and attendance at Board meetings, whether virtual or in person;
- 2) For an independent director who serves on a Board committee, a 25% multiplier would be added to the base annual retainer;
- 3) In the case of an independent director who serves as Chair of a Board committee, there will be a 50% multiplier to the base, which encompasses the membership multiplier.

AND IT WAS FURTHER RESOLVED that industry directors receive no remuneration other than reimbursement of travel expenses in accordance with existing policy.

10. FINANCIAL STATEMENTS

Ratan Ralliaran from the firm of Deloitte LLP advised that they were presenting an unqualified opinion with respect to the Financial Statements of the Facility Association Residual Market Segment as at October 31st, 2020, and the Risk Sharing Pools as at October 31st, 2020.

On **MOTION** made by Jean Roy, **SECONDED** by Michel Dionne and **CARRIED**, all of the above Financial Statements for the fiscal year 2020 as approved by the Board were accepted.

11. APPOINTMENT OF AUDITORS

Upon **MOTION** made by Bob Hillman, **SECONDED** by Dawn Anderson and **CARRIED**, the firm of Deloitte LLP was appointed as the auditors for Facility Association for the fiscal year 2021, with terms to be negotiated with the Audit and Risk Committee of the Board of Directors.

12. APPOINTMENT OF THE ACTUARY

Upon **MOTION** made by Michel Dionne, **SECONDED** by Carlos Rodrigues and **CARRIED**, Cosimo Pantaleo, Limited Partner with Ernst & Young LLP, was appointed as Actuary for Facility Association for the fiscal year 2021 with terms to be negotiated with the Audit & Risk Committee of the Board of Directors.

13. OTHER BUSINESS

No other business was brought before the meeting.

14. TERMINATION OF MEETING

There being no further business, on **MOTION** made by Aaron Perdue, **SECONDED** by Sharon Turnbull and **CARRIED, IT WAS RESOLVED** that the meeting be terminated.

Chris Cooney
Chairman

Facility Association Annual General Meeting

Chris Cooney, Chair
Board of Directors

March 4, 2021

Check against delivery

Good morning ladies and gentlemen and welcome to the 2021 Annual General Meeting of the Facility Association.

I'm sure most of you, like me, had some thoughts that the pandemic would be in our rearview mirror by now and we would be back together.

In-person, shaking hands, exchanging pleasantries without a mask – perhaps having a casual dinner at a restaurant with friends.

But as the events and circumstances of the pandemic continued to unfold, it was clear we were going to be in the fight for much longer.

The pandemic's toll in lives lost, in stresses for our parents, children and loved ones, and in the financial security for Canadians and their small businesses has been immense.

Fortunately, while there is still a ways to go, I note that there has been a break in the clouds with positive progress at last emerging regarding vaccine distributions both in Canada and around the world. Active case counts and hospitalizations are on the decline at last.

And of course we hope that we'll all be back together at our next AGM in 2022.

In the early days, it wasn't clear just how deep the pandemic was going to cut into the economy or the insurance industry.

But with office towers shuttered, people working from home, fewer people driving and businesses being closed, it wasn't long before governments were looking to the industry to help consumers with some relief.

Despite the challenges the pandemic has presented, your FA Board and especially FA staff, have continued to deliver on the expectations of our regulator partners and our members.

I know Saskia will provide you with some specific details on just how FA stepped-up and had a positive impact on consumers and the industry during such a difficult time.

While responding to the pandemic was thrust to the top of our priority list in 2020, we also had another key task to deliver on.

The development and approval of a new five-year strategic plan.

Before I get into some of the specifics, let's take a quick

In the summer of 2020, FA sent out a survey to regulators, our members and key stakeholders.

It was a pulse check.

An opportunity for us to step back, pause, and collect external feedback regarding how FA has been performing over the last few years.

What have we been doing well? Where should our focus be as an organization? And are there areas where we might be able to strengthen the services we deliver?

Quickly, here is what we found.

There is alignment with our current Mission and Vision and your respective organizations. In addition, a strong majority believe that FA is executing on our stated Vision and Mission.

There is overwhelming consensus, and I would argue not surprisingly, that FA should stick to its proverbial lane when it comes to our scope of responsibilities and activities.

But the accelerating pace of our industry since our last strategic plan, coupled with the presence of the pandemic has required some slight, but necessary revisions to our Vision and Mission.

I will come back to that in a minute.

What we also found was that our members have trust in us to be good stewards of their assets – both monetary and data – and they know that FA has a depth of understanding of residual markets that is unmatched in the industry.

As I said earlier, the survey was a pulse check for FA. But we also looked forward, asking respondents about future trends.

What is keeping the industry up at night? What is worrying you about the future, and more specifically, what trends could impair FA's ability to fulfill its mission?

While our Board is regularly considering these questions, it has been helpful to both validate and challenge our assumptions.

And importantly, we learned more about how the organization's objectives merged with the external view when respondents were asked how FA should prioritize our efforts in the development of our future plan.

As you can see, there are some common threads between respondents but also some issues that stand alone. 2

These results, responses from member companies and stakeholders, informed the Board's thinking and were the catalyst for a rather lengthy and lively Board strategy session in August 2020 where we aligned around five strategic priorities that will be our focus for the next five years.

With that in mind, FA has identified five strategic priorities for the next five years.

- A redesign of the FARM, RSP and UIP Delivery Models for long-term Resiliency and Scalability;
- A Data Strategy to allow FA to deliver the Minimum Viable Product for each of the FARM, RSP and UIP, with additional data collected only where its value is demonstrably cost effective from an industry perspective;
- A Technology Strategy which ensures FA has the necessary in-house expertise while ensuring cost effective use of available platforms;
- The first three priorities represent our core accountabilities. Our fourth priority is to share and promote FA's expertise in these highly specialized domains such as residual markets, coverage availability and associated issues through proactive outreach to stakeholders;
- And finally, we'll increase our outreach on areas that impact FA operations including, low volume voluntary market segments to share data, flag risk, and engage in common action.

Having been built upon your feedback, we are pleased that these new priorities will keep our focus on what matters to you, our stakeholders.

And importantly, we will strengthen our ability to deliver on the expectations of our members and consumers by ensuring the availability of automobile insurance to those who are eligible.

That really is the Purpose of FA – **to ensure the availability of automobile insurance to owners, lessees and licensed drivers of motor vehicles who are eligible.**

Structurally, FA is a unique organization whose purpose is actually set by legislation. How we achieve that purpose needs to keep pace with the changes in our industry.

In reviewing your expressed preferences and our revised priorities, we noted that some important changes were also necessary to our Vision and Mission statements:

First, **FA's Mission** is to deliver on our Purpose through the efficient administration of automobile insurance residual market mechanisms, which is not new.

But what is new, is underlining that in addition to the mechanisms themselves, FA ensures the availability of auto insurance *'...by providing valued information to our members.'*

And second, **FA's Vision** – our internal '*North Star*' - is that we are recognized as an essential component of the Canadian P&C insurance industry, and that we support Canadians and the Canadian economy through our highly efficient and effective administration of automobile insurance residual markets and *data governance*.

Our expertise is residual markets and risk sharing pools. But we have evolved to become effective stewards of information, data management and governance.

By doing so we can support the industry with accurate risk history in order calculate a fair premium, as well as ensure future availability of verified, reliable data and projections so members and stakeholders can monitor and plan accordingly.

This is something you told us in the survey results, and it also captures the importance of FA's role in Data governance, especially for the Underwriting Information Plan data.

As we translate your feedback, if we do our jobs well in administering the UIP data, our members can focus upon serving new customers efficiently thereby enhancing the availability of coverage in auto insurance markets.

As we have seen again in this pandemic, insurance plays a critical role within our economy, and the pace of industry change and market forces continually challenge member companies to improve their efficiencies and responsiveness.

This is true for Facility Association as well.

On behalf of your Board, I would like to assure you that FA will continue to minimize our market presence and impact, while ensuring we build the capability necessary to support the industry.

The outcome – as outlined in our Vision and Mission statement will ultimately benefit consumers with the benefits of a healthy and competitive insurance market.

In closing, I'd just like to take a few moments to acknowledge our departing Board members.

Alice Keung left the FA Board in 2020 for the best reason, as she retired from Economical and will be spending time on her many other obligations. Alice was a major contributor to the Board, especially as part of the newly formed Data Governance Council, as well as the Board strategic working groups discussing Data and Technology.

Monica Dale, representing the Ontario brokers, came in to fill the remaining portion of Ryan Wallace's term, and we thank Monica for her service and her contributions in our Board's deliberations.

Cara Low, left Wawanesa to pursue new opportunities at Peace Hills, and resigned from the Board after serving four years. We thank Cara for her contribution.

Please join me in thanking our departing Directors.

I cannot, however, surrender the podium just yet without some final acknowledgements. When I took on the role of Chair of the FA Board last February, I anticipated that I would need to develop new stress and coping skills to help steer this important organization into the future. Little did I imagine what else might unfold.

This has been a team effort, and I must acknowledge the significant work performed by Saskia, her management team, and all of the employees of Facility Association through the difficult "unknowns".

While listing all of the accomplishments would be impressive, I would take great risk in missing a name. Simply, "You have all been fantastic."

And for Saskia, I know I am speaking on behalf of the Board when I acknowledge the great lengths you have gone to – as evidenced by our strategic review work - in order to keep this important organization not only functioning, but moving forward. Thank you for great work through adversity.

And equally, I'd like to thank the Board members and the Governance and Human Resources Committee members for their support and commitment during this year.

Your engagement has been remarkable. I'd especially like to call out the work of the Audit and Risk Committee, under the leadership of their chair **Rhonda Lawson**, who are already a very hard working Board committee, but who quickly sprung into action to support FA management during the most difficult moments.

Rhonda – thank you for your dedication, exceptional efforts and your partnership.

With those acknowledgements complete, I will now hand over the proceedings to Saskia for her remarks.

Facility Association Annual General Meeting

Saskia Matheson
President & CEO

March 4, 2021

Check against delivery

Thanks Chris.

Our Annual General Meeting is an opportunity to look back on the last year, as well as to look forward. And so what I'd like to do today is go over some of the highlights of this last year, as well as talk about some of the initiatives we have coming up.

It's become almost rote to say this last year has been unique, game changing – hard. For Facility Association the last year has certainly proven challenging, but has also underlined the essential nature of the organization.

Within a month following last year's AGM, the world had changed. We reacted quickly and decisively to protect our staff, their families and the larger community, while continuing to serve our members, the insurance industry and through it the Canadian economy.

COVID-19 and its impact were not on our risk horizon before 2020, but the components that it touched absolutely were. With the hard work of FA staff, and the guidance and support of your FA Board and its committees, we were able to react quickly and continue our operations without missing a step.

Overnight we moved our staff to a work-at-home platform. We maintained 24/7 access to the Risk Sharing Pools for members. As the pandemic stretched into the summer and then fall, we took the opportunity to transition all of our compliance audits from in-person to remote. Special thanks to all the members who worked with our Audit and Compliance team so that the transition could be made.

In the early days, it wasn't clear just how deep the pandemic was going to cut into the economy or the insurance industry.

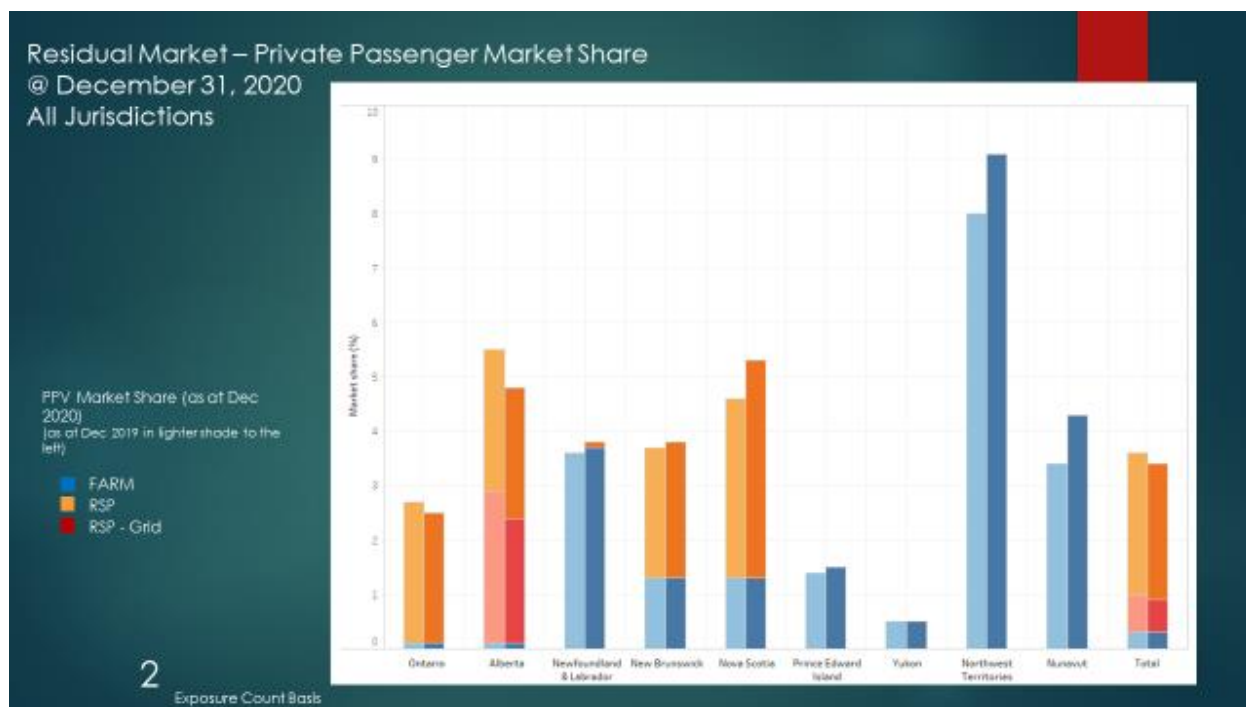
Working with our regulator partners, we were able to make some quick adjustments to some of our rules for both commercial and private passenger vehicles.

These changes made it easier for consumers and businesses to make changes to their policies if their vehicles weren't being used. In the end, FA was able to provide over \$90 million in premium relief to consumers in Canada.

We were able to do so because we went outside of our traditional comfort zone. We were nimble, proactive and responsive to the circumstances. But of course that is the nature of our industry. We respond in crises, to ensure that Canadians, and the Canadian economy can function.

And while we're on a path to putting the pandemic behind us, we will continue to consider the impact of COVID on experience - both frequency and severity, and on the reality of our working experience. And while we were managing the challenges posed by the pandemic, we also kept watch on some operational issues.

This first graph combines the Private Passenger FARM and the Risk Sharing Pools in each of the jurisdictions, and shows the market presence FA has in each jurisdiction with all the mechanisms combined.



For example, in Alberta, in 2020 Private passenger risks in the FARM represented a tenth of a percentage point of market share, while right next to it, you can see that Newfoundland and Labrador have a FARM market share of 3.7%. But if we take into account the Risk Sharing Pools in Alberta, the total residual market in Alberta is 4.8%.

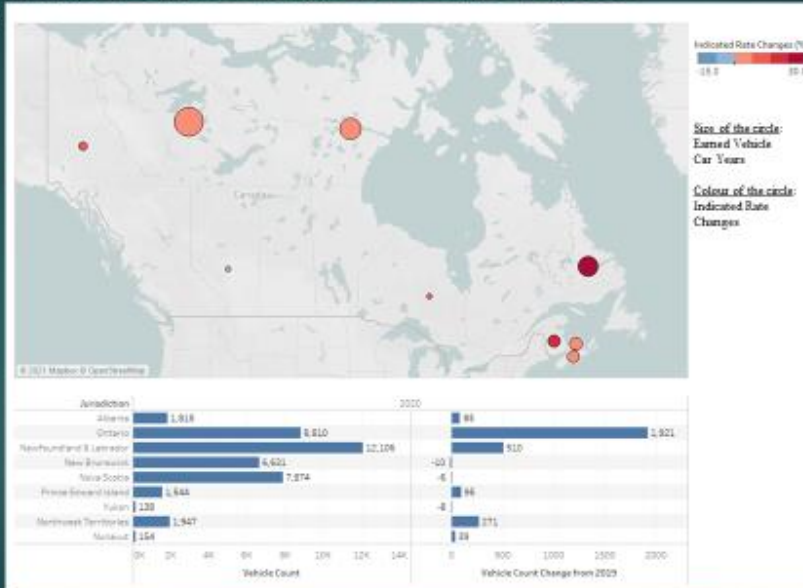
From a consumer perspective, a far smaller percentage of insurance consumers see themselves as Facility Risks in those jurisdictions where these blue bars are low, while the impact to the industry of carrying the residual market cost is reflected in the relative height of the total bars. Overall, countrywide in calendar 2020, the market share for FARM remained stable, while the use of the Pools in Ontario and Alberta decreased, resulting in an overall slight reduction in RSP use Canada wide

What is behind those shifts in pool usage is a bit unclear. For example in Alberta there were two major influences in 2020. First, following the lifting of the cap on rate increases in Alberta there was significant rate action in the market in late 2019. While it makes sense to conclude that this resulted in a drop in the use of the RSPs, the pandemic and the consequent industry reaction complicated the issue.

There was a wide variety of reactions to the economic shutdown amongst companies in Alberta. Some increased their use of the pools, while others pulled business out. In addition, companies gave rate relief, which for some resulted in risks having to be pulled from the grid pool.

So which of these two -price or pandemic- had more influence is uncertain: Overall, Risk Share Pool market share in Alberta dropped, but that is in total, and is not indicative of every member.

Residual Market – Private Passenger Market Share and Indicated Rate Changes @ December 31, 2020 All Jurisdictions



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On the FARM side FA held back on scheduled rate increases through a good part of 2020 as our part of the industry's support for consumer relief. If we look at the FARM Rate indications across the provinces at the close of 2020, you can see by where the circles are red – everywhere but Alberta - where we will be turning our attention for rate need in 2021.

The second issue that was on our radar was the continuing increase in commercial and inter-urban volume - a trend that seemed to transition from Ontario and Alberta in 2019 to Atlantic Canada and in particular, Nova Scotia in 2020.

Residual Market – Interurban (IR and FR) Vehicle Count/Growth @ December 31, 2020 (since December 2019) All Jurisdictions



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As you see from this heat map, Ontario saw a sizeable decrease in the interurban book, whereas there was significant growth in these lines - in Alberta in the early part of the year, and Atlantic Canada, most notably in Nova Scotia throughout.

We believe that this was driven in large part by operators looking to game the system by registering their business in jurisdictions with lower rates, such as Nova Scotia, while still operating primarily out of Ontario.

This issue first surfaced in Alberta in 2019 when we were seeing similar trends. As a result, we worked with the Trucking Associations, as well as with commercial writers and brokers to identify a series of measures and rules that was meant to curb this behaviour as well as stunt the growth that FA was experiencing in this class of business.

We implemented significantly stricter rules in Commercial in 2020, across the country, and these measures are helping. However, there were some unintended consequences with some of the rules - deductibles particularly - that has had a punitive impact on hard working and honest operators.

I am very pleased to announce today, that we have taken steps that we expect will resolve the issues that some operators were facing. Specifically, we will be amending the minimum 25% deductible rule for high valued commercial vehicles to a 5% minimum deductible rule. This will go in as absolutely soon as it is possible, and we'll be issuing a communication to brokers to that effect.

While these two big operational issues kept us on our toes in 2020, we also: Launched the Newfoundland and Labrador Risk Sharing Pool; took on management of the Nova Scotia Judgement recovery fund. We also took on the Newfoundland and Labrador Judgement recovery Fund in 2021; Completed the member vote and regulatory approval for the Risk Sharing Pool Harmonization Initiative that will go into effect on January 1st 2022; and made major progress on IFRS 17: A tremendous amount of work was done by our Accounting Committee, and members of various industry working groups along with FA staff on the upcoming IFRS 17 standard and its implications. On February the 19th, the Firms supported the position that RSPs are reinsurance, both in ceded and assumed, and that FARM is direct. This was a major accomplishment, and opens the door for the next phase of work in 2021.

In the end, 2020 proved to us that at FA, we could respond quickly and with agility to risk changes. Not only did we not miss a beat with ongoing services and initiatives, but we were also looking around the corner at what tomorrow will bring.

Chris mentioned our five new strategic priorities for the next 5 years, and what I would like to do now is to give you just a brief insight into a couple of them. This year our focus will be on ensuring the long term resiliency and scalability of our FARM mechanism. Specifically the critical role of our Servicing Carriers who provide policy and claims service directly to FA insureds.

Co-operators has given notice that they will withdraw as a Servicing Carrier at the close of 2021, in the face of significant ongoing system costs and the need to maintain expertise, training and support across a full spectrum of FARM classifications. With the impending purchase of RSA by Intact, that brings Facility Association to a single Servicing Carrier. While Intact is a solid and committed Servicing Carrier partner, the reduction to one Carrier poses additional risk to the organization, especially in the face of continued growth in FARM volumes.

With this as the backdrop, we have launched a strategic project to rethink and even possibly re-engineer the FARM delivery model. Rest assured that FA management and your Board are already hard at work to ensure that we have both short term guarantees and long term options for the FARM mechanism. This is a major project, but it is not the only big project for this year. In 2021, we will have a focus on data and information: we will be redefining the data set we provide to members to meet your reporting needs under IFRS 17 for both RSP and FARM.

And for the Underwriting Information Plan – UIP - we continue to focus on the governance of the data and its quality, and so with a new provider of insurance history reports looking to enter that market, FA is focusing on having the infrastructure necessary to ensure the UIP data is correct, and consistent between providers, and that privacy is protected.

These are just a few of a large set of initiatives we have going forward.

FA's strategic priorities continue to align with our purpose and our mission. They are taking us from our original structure of ensuring drivers had policies through the FARM, to providing capacity for those drivers in the regular market through the RSP, to supporting availability by ensuring there is accurate, reliable and secure data for underwriting and rating.

We continue to fulfill the same purpose for which FA was formed in 1978. We do it in a very new world. With this in mind, it was the right time to update our information and our look. Within the next 2 months we will be launching a new website, with redesigned search features to support the brokers who use that site as their FA manual, and the members who access it for reports and information. The site will be mobile and tablet friendly as well. So this was also the right time to introduce a refreshed logo, reflecting both our focus on data and as well as our ongoing commitment to our purpose.

There is a lot on the go at FA, and I am supported by a great team. During 2020, and into the first month of 2021, we welcomed new members to the FA senior leadership team: Aidan Chen is now VP of Data and Analytics, Derek Tupling is VP of Government Relations and Communications, Philippe Gosselin is VP Actuarial, Fadia Charbine, VP Underwriting, Claims and Operations, and Sheetal Savani is our new CFO.

Not only do we have a committed and talented staff at FA, but we benefit from a tremendous group of industry volunteers. We will continue to rely on their contribution as we move forward. Listing all of them would put us over our time limit, but I would like to mention those who will be leaving our committees, and express our sincere gratitude on behalf of the Board and of FA staff:

For the Actuarial Committee: Cynthia Chen of Zurich who has left after serving 2 terms.

For the Accounting Committee: - Caroline Pouliot of Intact, after two terms with us, resigned in October 2020. She tendered her resignation in Jan 2020, but with so much on the agenda for that committee, Caroline kindly returned and participated in the Committee on an interim basis in May, until the vacancy was filled in Oct 2020.

For UIP Advisory Committee,

- Sephora Sciara from CAA resigned after serving as Chair for 2019 term
- Tricia Todd from RSA resigned to serve on a different committee after 2019 term
- Michelle Treusch from Co-operators resigned due to change of position
- Elyse Belanger from Wawanesa resigned after serving 2019 term and most of 2020 term

For R&R Committee:

- Dawn Anderson from RSA resigned being a member of the Board
- Steven Steele resigned due to leaving the company

For Claims Committee:

- Caroline Fagan retired from Allstate and left the committee after serving since 2012

For Provincial Operating Committees:

- Brian Wipperman from Peace Hills and Gerry Baert from Blue Circle resigned from the Alberta and Territories Operating Committee
- Dawn Anderson redirected her main focus to the Board, and therefore resigned from various operating committees

Finally, in this unusual and extreme year, I want to express my gratitude and appreciation to the Board of Directors, and especially to Chris Cooney our Chair, to Karen Dyberg Deputy Chair, and to Rhonda Lawson, Chair of the Audit and Risk Committee. In the past year I've had the opportunity to work with these great people far more than I'm sure any of us predicted this time last year, and it was my privilege to do so.

Thanks for your attention today, wherever you are listening and watching – 2021 promises to be another exciting year, with significant challenges and opportunities. We look forward to taking the steps necessary - both short and long term - to ensure market availability, data quality, and provision of value to our members.

Thank you, Mr. Chairman that concludes my remarks.