

**Amalgamation Proposal**  
**HT&C Mutual Insurance Company**

**Background and Summary**

This proposed amalgamation of Hay Mutual Insurance Company located in Zurich Ontario and Town & Country Mutual Insurance Company of Strathroy Ontario, will bring together two strong mutuals with common values and shared visions as to what it means to be a community-based local insurer. Both Companies are members of the Fire Mutuals Guarantee Fund, the Ontario Mutual Insurance Association and reinsure with the Farm Mutual Reinsurance Plan Inc. ("Farm Mutual Re").

The principles underlying the amalgamation will be to maintain a local presence at the current office locations and to maintain employment in each of the current offices.

The proposed name of the amalgamated company is:

"HT&C Mutual Insurance Company"

The benefits to be realized from amalgamation include:

- Broader geographic spread of risk;
- Sharing cost and benefits of technology
- Enhanced business continuity and disaster recovery capabilities;
- Enhanced career development opportunities;
- Enhanced predictability of financial results, driven by larger volumes;
- Shared cost and resources to meet regulatory obligations;
- In the case of Hay, an opportunity to add broker distribution exposure;
- The ability to offer enhanced products to new and potential Members;
- Provide continued economic benefit to small, local communities

**Proposed Board of Directors**

Currently, Hay has six directors while T&C has nine. The Board of the amalgamated company will be comprised of twelve Directors initially, six from each company.

Commencing with the first Annual General Meeting in March 2022, 4 Directors will be elected for three-year terms in accordance with the Act.

It is the view of the current Hay and T&C boards that the number of directors should be reduced to nine within five years of amalgamation.

## **Strategic Plan**

The strategic issues that motivated the companies to pursue an amalgamation include the following common points, which will be the benefits of amalgamation:

- Achieve greater geographical spread of risk
- Better manage and interact with distribution networks
- Leverage internal expertise to develop greater specialization for key roles
- Enable stronger investment in technology to enhance efficiency
- Reduce the risk of rising reinsurance costs
- Build a stronger and broader infrastructure
- Strength in management depth
- Improved surplus and capital position
- Creation of a platform for controlled long-term growth to offset the aging client base of both companies
- Combine resources for more efficiency in meeting regulatory requirements
- Improved capacity for long range planning
- Creating a more diversified Board from a larger pool of Directors
- Improvement in the ability to plan for succession of Directors and staff.

The key strengths supporting the strategy going forward include:

- Both companies have strong financial positions
- Both companies are well established in their communities with loyal client bases
- Both companies use the same insurance related software and will be in a better position to include enhanced products offered by the provider
- The companies share the same philosophy of mutuality and are strong supporters of the Mutual system in Ontario
- There are synergies with respect to underwriting expertise
- Both companies use the same IT infrastructure provider, with servers on premises
- Increased capital allows for improved structures in human resources, technology, regulation and market position, with the goal of eventually achieving economy of scale

## **Financial and Capital Management**

With this amalgamation, the estimated surplus of the new company will be \$60,000,000.00 with Gross Written Premium estimated to be \$30,000,000.00. The amalgamated Company will remain financially strong.

Both companies have current *Enterprise Risk Management* plans, which will be aligned. The amalgamated corporation will complete its *Own Risk Solvency Assessment* by the end of Q2, 2021.