

REPORT OF THE CHAIR

18th Annual Meeting March 18, 2021

Held Virtually

Overview

It was a year like no other in PIE's history. Covid-19 affected the entire country and changed work habits for everyone. Fortunately, PIE already works remotely and the impact on operations was limited. Board meetings were virtual or a combination of on-site and Zoom. The organization did continue to expand the Subscriber Base by finalizing the relationship with Manitoba Hatching Egg producers effective March 1, 2021. In addition, Turkey farmers of Ontario have committed to insure AI with PIE by 2022. This will realize a founding and strategic goal of having all Ontario feather boards under one insurance umbrella. While the organization was profitable in 2020 it did not have the results experienced in prior years. A combination of high claims and Covid related financial market fluctuations had a significant, but temporary, impact on income.

Operations

Income for 2020 showed a profit exceeding \$1.8 million. This compares to \$3.7 million profit in 2019. Even with the increase in claims, operating, travel, and administrative expenses were lower than the previous year. A positive impact of the virus. The majority of the unfavorable variance in this year's results is explained by higher claims.

Claims were uncharacteristically high in 2020 with losses occurring in hatching eggs, Group 1 and EFO Group 2. The claims were more than \$1.7 million higher than the previous year total of \$47K and were in Alberta and Ontario. All claims were settled over the course of the year with losses mitigated through PIE initiatives and negotiations. Without the initiative and hands on work of the board, the claims settlements would have been significantly higher. One of the losses caused PIE to access its reinsurance lines for the first time in 4 years. As a result PIE will claim \$100K from our reinsurers. There were no claims from Group 3, Chicken Farmers of Ontario.

The auditors rendered an unqualified opinion on PIE Annual Financial Statements for the year ended December 31, 2020. Other regulatory reporting and filing includes the Report of the Actuary and the P&C1 which are submitted to the Financial Services Regulatory Authority of Ontario, Alberta Treasury Board and Saskatchewan . All have been filed by the due date.

PIE continues to focus on the cost of reinsurance because it is PIE's biggest annual expenditure. In the past four years rates have increased due to market forces and the additional requirement for AI coverage. Price increases are held in check by a combination of enhanced bio-security and innovative production methods and market supply and demand. The cost of reinsurance at \$1,411K in 2020 was \$27K less than 2019. A constant focus on limiting the number and severity of claims will continue to mitigate our premiums. At the same time PIE continues to work to source new reinsurance providers in an effort to contain and reduce cost.

Just like Warren Buffet and Berkshire Hathaway (Geico Insurance Company) PIE is in the investment business because of its need to manage the surplus reserves it holds on behalf of the underwriting groups. Our investment portfolio continues to gain growth through a combination of operational performance and investment returns. The investment pool increases with annual surpluses and the entrance of new Subscribers. It should be noted that investment returns, though in line with market yields and rates of return, continue to be suppressed due to low interest rates on bonds and deposits.

Ongoing Initiatives

PIE's original mandate was to provide disease focused insurance to all sectors of the poultry industry. To satisfy that goal PIE continues to work with producers in the industry to provide cost effective professional insurance solutions. The organization continues to look for opportunities to improve its offerings and service to our subscribers. With that goal in mind the board agreed to explore the addition of other insurance policies covering Reo virus for Group 1 (OBHECC) and False Layes syndrome for Group2 (EFO). PIE has engaged the same consultants that were used to develop and implement the avian influenza policies.

The process involves determination of the risk profile including frequency and severity of losses. These become inputs to the model which in turn generates the output that determines availability and cost of the product. To date PIE has engaged experts that have provided the data to load the models. It is anticipated that the modeling will be completed in the summer with results to be used to craft the policies. Draft policies are expected to be circulated for comment in early autumn.

PIE has completed the study to provide insurance coverage for EFO's specialty flocks. We commissioned the development of new Loss Quantification Models to compare against the standard flock loss tables. The results have been forwarded to EFO management for review. PIE awaits a decision from EFO on whether to proceed with developing a program for specialty flocks.

The board continues to explore other insurance opportunities with poultry groups in Canadian provinces not currently served by PIE. Manitoba Hatching Eggs will be joining PIE with SE policies effective March 1, 2021. This is expected to be followed up with the addition of Ontario Turkey Farmers in late 2021 or early 2022.

The largest single operational expense that PIE faces is the cost of reinsurance. Reinsurance allows PIE to syndicate risk and avoid catastrophic losses. Reinsurance is solicited on the world market through a competitive bidding process. The factors affecting our rates are claims experience, our continuing focus on improving bio-security and the size of the risk pool. Even with lower claims over the previous 6 years, hard markets have increased our premiums in line with inflation, the growth in subscribers and the size of the risk pool. PIE's efforts to lower claims will help us pursue lower premiums in 2022.

In 2021 the Board of Directors will be comprised of three directors each from Hatching Egg producers (Group 1) and Egg Farmers of Ontario (Group 2). Chicken Farmers of Ontario (Group 3) will have two for a total of eight. One of the hatching egg directors will come from the Western provinces. All other

directors are from Ontario. During 2020 the board met for the Annual Meeting and four additional meetings, which were a combination of virtual and face to face when possible.

It was not a typical year for the claims committee, this sub committee of the Board is composed of one representative from each group and the general manager. The size and nature of the claims this year meant that more demands were placed on it. There were two major claims requiring negotiations to mitigate and contain losses. Through the efforts of board and claims committee PIE saved over a million dollars.

Administration

The management team continued to provide excellent support to the board throughout the year. Administrative costs have grown more slowly than premium revenue providing increased margins. In 2020 additional time and resources have been allocated to accommodating our new subscribers. The administration continues to focus on operational performance and improving customer awareness of PIE's activities through web based communications in this time of Covid restrictions.

I wish to thank the members of the Board for their keen interest, and their input. PIE looks forward to 2021 with enthusiasm and the opportunity to welcome new members to the reciprocal while enhancing the service to our existing subscribers.



Martin Adema,
Chair, Board of Directors