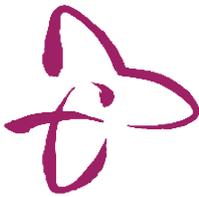


# ANNUAL REPORT 2019



**Trillium**  
Mutual Insurance Company



# NOTICE OF ANNUAL MEETING

**The Annual Meeting of  
Trillium Mutual Insurance Company  
will be held on  
Friday, March 13, 2020  
10:30 a.m. at  
495 Mitchell Road South, Listowel, ON  
Lunch will be provided**

**Purpose:**

1. To receive the financial statements of the Corporation for the fiscal year ending December 31, 2019 and approve the auditor's report thereon;
2. To appoint auditors for 2020;
3. To transact any regular business that may be introduced in the interest of the company; and
4. To elect two (2) Directors for a three-year term.

Note that in accordance with the Bylaws of the Corporation, any person wishing to seek election or re-election as a Director must file an intention to stand for election in writing with the Secretary of the Corporation not later than thirty (30) days prior to the Annual Meeting or General Meeting called for the purpose of electing Directors, ie. on or before February 12, 2020. In accordance with governance best practices, the Board appoints Directors to fill vacancies after a comprehensive application and interview process; the membership, however, ultimately retains the right to confirm appointments or elect Directors. If you would like to learn about our Director selection process, please contact our Corporate Secretary at 1-800-265-3020 or bhicks@trilliummutual.com.

The annual statement will be available on the Corporation's website on or before February 21, 2020, or a member may obtain copies by sending a written request to the Corporation's head office.

Members unable to attend in person will be able to view the meeting via live internet stream. Please register for the live stream viewing option by email to support@trilliummutual.com. You will receive the live stream link two business days prior to the meeting date. Please note: in accordance with the Bylaws, only members attending in person will have the right to vote at the meeting; personal attendance is strongly encouraged.

By order of the Board of Directors

B. Hicks, B.A., LL.B.  
Corporate Secretary

# REPORT FROM THE CHAIR

I am very pleased to bring greetings on behalf of the Board of Directors of Trillium Mutual Insurance. I encourage you to join us at our Annual General Meeting on March 13, 2020 at our Listowel office.

2019 was a year with significant changes at Trillium Mutual. In 2018 our long time CEO Joe Dietrich had indicated his intent to retire. In early 2019 the Board exercised due diligence by engaging an external Executive Search Company, Korn Ferry, to assist us in the recruitment of a new CEO.

Let me say that replacing Joe was not an easy task. His leadership, going back many years to Formosa Mutual and throughout the current life of Trillium Mutual, was nothing short of exceptional. Joe guided Trillium successfully through many years of growth in revenues and surplus. He recruited great employees and helped to create a work place culture that is second to none. At the same time Joe played various leadership roles across the mutual insurance industry in Ontario, in Canada and internationally.

It was quite gratifying that so many strong leaders from across the country were interested in becoming the new CEO of Trillium Mutual. It speaks very well to the reputation of our company and our staff across the industry. In the end, Tracy MacDonald, who we knew was a strong candidate, was the best candidate. The Board was very pleased to offer Tracy the position of CEO. Since Joe had given the Board advance notice of his intention, it allowed for a transition period from July to November whereby Joe and Tracy could work together so that on November 1, 2019 Tracy was able to fully take the reins. Joe continued to be available as an advisor until his official retirement in January 2020.

The Board wishes Joe and Monica all of the best in the future. We are sure their 9 grand children will be the benefactors.

We are very pleased with Tracy MacDonald as our new CEO. Tracy is very well respected in the industry and has completed the organizational adjustments required to lead Trillium for years to come.

I would also like to acknowledge a great achievement of our ROOTS Council. Since its inception as the managing body of Trillium Mutual's program to give back to the communities that we do business in, over \$1 million dollars in contributions to worthy community organizations have been made. As a Board, we are very proud of this achievement and thank those community members who volunteer on the ROOTS Council.

In 2019 we also bid a fond farewell to Director Ken Schaus who had served effectively on the Board for 10 years. Ken brought to the Board tremendous knowledge of the agricultural community and a great perspective on how Trillium Mutual could most effectively serve the community. He will be greatly missed at the Board table.

We are very pleased that we had many strong candidates who were interested in filling the vacancy created by Ken's retirement. In a skills-based assessment process, Angela De Groot was selected to join the Trillium Board to complete Ken's remaining term. Angela brings a very strong agricultural background as a significant primary producer as well as having a variety of experiences and skills that will bring great perspective to our Board. Welcome Angela.

The P&C insurance business is experiencing significant challenges. Increased costs associated with auto repairs, building replacement and the impacts of climate changes have put all insurers in a difficult spot. Despite challenging underwriting numbers in 2018 and 2019, we are confident we are moving in a direction that will ensure the long-term sustainability of Trillium Mutual Insurance.

I will conclude by saying it continues to be an honour to serve on the Board and as the Chair of Trillium Mutual insurance. I invite you to join us at our AGM to get more details on our operational results and our view of the future.

Respectfully Submitted,

G. Ross Lamont B.A., M.A., ICD.D

Chair of the Board



# OFFICERS OF TRILLIUM MUTUAL

Chair.....	Ross Lamont
Vice-Chair.....	Ross Stone
President & CEO.....	Tracy MacDonald
Corporate Treasurer.....	Lindsey Robinson
Corporate Secretary.....	Bryan Hicks

## BOARD OF DIRECTORS



Directors: (back row left to right) Ben Rier, Cong-Rong Xie, Ross Stone, and Angela De Groot. (front row left to right) Ross Lamont, Julie Garner.

## EXECUTIVE TEAM



Executive: (left to right) Mike Virley, Tracy MacDonald, and Jenny Hallahan.

# REPORT FROM THE PRESIDENT & CEO

I am pleased to share this report in my new capacity as President & CEO of Trillium Mutual. Effective November 1st, 2019 I am honoured to take the reins from our prior leader, Joe Dietrich. Joe effectively stewarded the Company for 23 years, building a strong surplus and solid foundation of our Mutual legacy. Having worked in the Insurance Industry for nearly 30 years, I can clearly state we are in a time of unprecedented change. There are many headwinds responsible for this change with technology, analytics and consumer preference at the forefront.

2019 proved to be a financially challenging year for Trillium. Claims continued to be unfavourable in 2019 with severity of losses being more of a driver than increased frequency. Water claims resulting from increased storm activity and agriculture fires continue to have a negative affect on our bottom line. Despite these challenges, there are some positive outcomes. Our revenues increased in our focus areas of agriculture and commercial business, ending the year at \$69M. Our investment income in 2019 was very strong, offsetting the underwriting performance to show a bottom line income. We are pleased to report that we were able to add nearly \$2M to our members surplus, further building on our financial strength.

Our Board continues to govern Trillium Mutual and our forward-looking strategy with a vision to be the leading mutual insurer protecting and enhancing farm and community lifestyles. Our Board went through succession in 2019 where we thanked Ken Schaus for his 10 years of leadership and welcomed Angela De Groot to our Board. I am very much looking forward to leading operations of Trillium Mutual with our Governance Board of six.

The Board participated in two days of strategic planning at the end of November along with our newly formed Executive Team. Our long-term plans of specializing in Agri-business continues to progress as well as ensuring our products and services keep pace in other lines of business. To do so, we must ensure we position each line to have independent sustainability for long-term success.

In addition to many operational accomplishments in 2019, we have invested in developing new technology as well. We launched our first ever application that provides our brokers with the tools they need in the field to provide services to current and new members. This delivery was developed through an innovation process that explored and addressed the problems our customers are experiencing. The application has been received well and allows brokers to answer questions on our offerings in real time. We also

launched a new version of our broker portal application to achieve ease of use by our broker partners. This was a multi-year project that required a great deal of time and energy and we are thrilled with the product's ability to improve the broker experience in placing new business and servicing existing clients.

In 2018 we embarked on a project to update our rating models in both personal lines property and auto insurance. The result of that work is now being implemented. We will strive to educate our members in order to reduce risks and prevent claims in an effort to manage pricing at affordable levels.

Working at Trillium continues to provide strong fulfillment and engagement to our employee base. We were thrilled to be awarded with the Top Insurance Workplace recognition by Insurance Business Canada with an average satisfaction rating of 91.7% from our employees! Please click [HERE](#) for further information.

Another highlight of 2019 was a milestone achievement in reaching the \$1M mark in charitable funding provided to community projects across the province. Recognizing Our Opportunity to Support (ROOTS) continues to fund worthy projects and ensure the betterment of rural Ontario.

Thank you for your continued patronage of Trillium as we embark on a new decade. Please join us at our Annual General Meeting on March 13, 2020 and exercise your voting rights as a Mutual Policyholder.

Sincerely,

Tracy MacDonald, BA, FCIP  
President & CEO



# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

DECEMBER 31

(IN THOUSANDS OF DOLLARS)

	2019	2018
<b>Assets</b>		
Cash and Bank	6,471	5,913
Investments	89,849	84,513
Investment Income Accrued		18
Income Taxes Recoverable	68	
Due from Reinsurance	273	969
Due from Policyholders	18,419	17,560
Due from Facility Assoc.	1,388	1,392
Reinsurers Share of Unpaid Claims	17,354	9,340
Other Receivables	2	13
Prepaid Expenses	291	272
Deferred Policy Acq Exp	7,416	6,873
Property Plant and Equipment	7,475	7,631
Intangible Assets	2,261	2,219
Deferred Income Taxes	5,266	5,500
	<u>156,533</u>	<u>142,213</u>
<b>Liabilities</b>		
Accounts Payable and Accrued Liabilities	4,482	4,243
Due to Facility Association	1,425	1,430
Income Taxes Payable		2,386
Unearned Premiums	34,197	31,630
Provision for Unpaid Claims	57,768	45,649
	<u>97,872</u>	<u>85,338</u>
<b>Members' Surplus</b>	<u>58,661</u>	<u>56,875</u>
	<u>156,533</u>	<u>142,213</u>

## CONSOLIDATED STATEMENT OF MEMBERS' SURPLUS

Balance-Beginning of Year	56,875	59,289
Comprehensive Income (loss) for the Year	2,016	(2,354)
Changes in non-controlling Interest	(230)	(60)
Balance-End of Year	<u>58,661</u>	<u>56,875</u>

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31

(IN THOUSANDS OF DOLLARS)

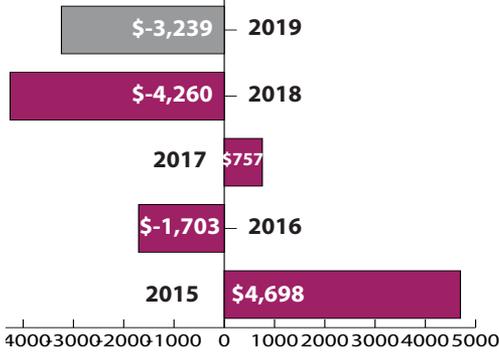
	2019	2018
<b>Revenue</b>		
Gross Premiums Written	69,283	64,079
Less: Reinsurance Ceded	7,056	5,122
Net Premiums Written	62,227	58,957
Less Increase in Unearned Premium	2,567	4,014
Net Premiums Earned	59,660	54,943
Service Charges	724	660
<b>Total Underwriting Income</b>	<b>60,384</b>	<b>55,603</b>
<b>Expenses</b>		
Net Claims and Adjusting Expenses Incurred	40,195	38,775
Commissions and Acquisition Expenses	15,123	13,681
General Expenses	8,305	7,407
<b>Total Expenses</b>	<b>63,623</b>	<b>59,863</b>
<b>Net Underwriting Income (loss)</b>	<b>(3,239)</b>	<b>(4,260)</b>
Investment and Other Income	5,710	(560)
Comprehensive Income Before Taxes & Donations	2,471	(4,820)
Income Taxes	282	(2,669)
Donations from ROOTS Fund	173	203
<b>Comprehensive Income (loss) for the Year</b>	<b><u>2,016</u></b>	<b><u>(2,354)</u></b>

A complete audited financial statement can be  
found [HERE](#), or by contacting us.

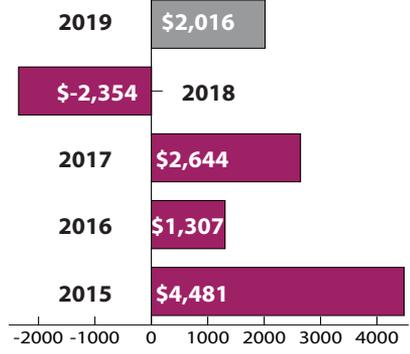
# The Last Five Years

(in thousands of dollars)

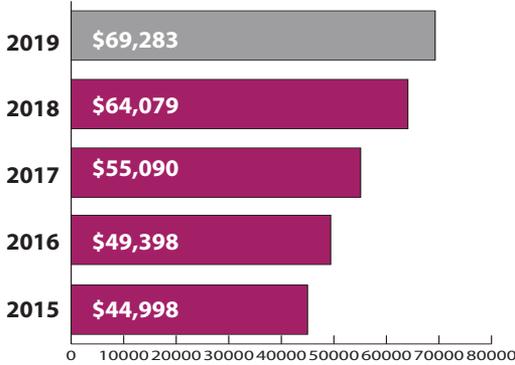
## Underwriting Income (Loss)



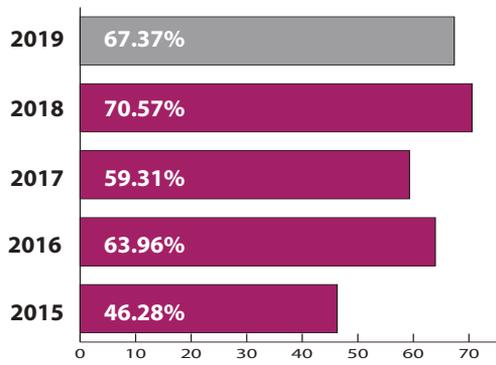
## Comprehensive Income (Loss)



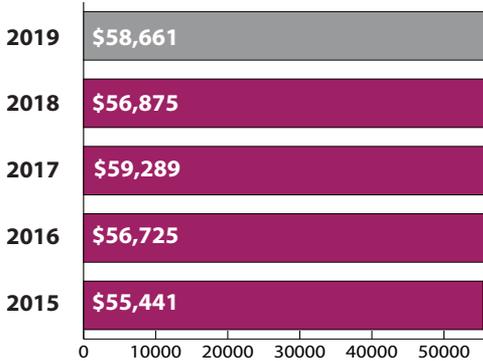
## Gross Written Premium



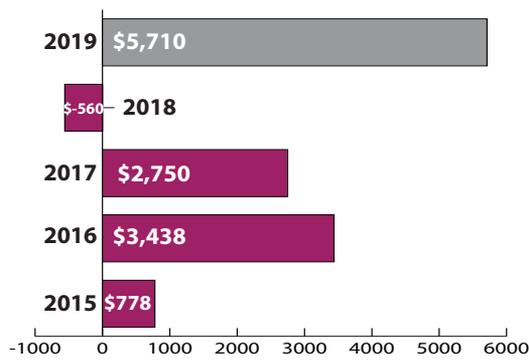
## Net Loss Ratio



## Policyholder Equity (Members' Surplus)



## Investment & Other Income (Loss)



## JOE DIETRICH BIDS FAREWELL

The insurance industry and our company continued to face headwinds in 2019. I am proud of Trillium's response of better utilizing talent, data and technology to establish more appropriate pricing. This is not a perfect science but clearly the status quo was not sustainable. CEO succession was a focus throughout the year. I applaud the Board of Directors for its process and decision. A personal highlight was the announcement by Board Chair Lamont at a mid-year staff meeting that Tracy MacDonald would become President and CEO effective November 1, 2019. With the cooperation of all stakeholders, especially our co-workers, transition went well. As I worked through the sunset of my career, I realized how much I have benefited by working for this leading member company of the mutual insurance industry.

Thank you,  
Joe Dietrich



## TRILLIUM & TECHNOLOGY

In 2019, Trillium successfully launched our Trillium broker app and desktop browser interface. With the launch of this application we are able to fill a gap in our communication process with our brokers, enabling them to have real-time access to technical tools such as manuals, wordings and guidelines. These can be accessed right at the user's fingertips, even when there is no active data connection on the device they are using. The app is compatible with both Android and iOS ensuring all of our brokers have access to what they need to deliver the best possible insurance product for our customers.

We are also incredibly proud to announce the launch of Bloom, our new broker portal. Bloom retains all existing functionality from our previous portal, while expanding on new product offerings. It gives brokers the ability to place commercial and agricultural auto business digitally, as well as continuing to allow for a digital method of quoting and placing farm property business with Trillium. One functionality enhancement, which is completely new to Trillium's digital suite, is the introduction of Policy Inquiry direct from the Broker's system. Users can now access all pertinent policy details directly, without the introduction of any new tools or processes.

## TRILLIUM RECOGNIZED WITH NORTH PERTH BUSINESS EXCELLENCE AWARD

Trillium Mutual was honoured to have been named recipient of the North Perth Business Excellence Award in the Best of the Best Category. An Awards Gala hosted by the North Perth Chamber of Commerce on October 23, 2019 was an exceptional display of local businesses, community, partnership and support. As a mutual insurance company, we strive to make a difference in the communities that we live, work and serve in and we are motivated by our goal to ensure the sustainability of rural Ontario. To have received this recognition was a testament to the hard work and dedication of our staff and Board of Directors and serves as a reminder of the importance of community focus in all that we do.



## VISION STATEMENT

To be the leading mutual insurer protecting and enhancing farm and community lifestyles.

## MISSION STATEMENT

We provide our members, through trusted partners, with complete and innovative insurance solutions, delivered with excellent service and integrity.

## VALUES STATEMENT

### **Our Valued Members**

We exist for the sole benefit of our members.

### **Protection through Insurance Solutions**

We protect and respond to member needs with innovative solutions.

### **Exceptional Customer Service**

We strive for every customer experience to be excellent.

### **Financially Responsible**

We are accountable for long term financial stability.

### **Our Partners are Essential**

We choose professional and ethical partners to sell and service our products.

### **Our Employees: Our Success**

We are a team of dedicated professionals working in an environment of mutual respect and continuous improvement.

495 Mitchell Rd South  
Listowel, ON  
N4W 0C8

1-800-265-3020

[www.trilliummutual.com](http://www.trilliummutual.com)