



**HEARTLAND**  
FARM MUTUAL  
Agribusiness and Rural Protection

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[heartlandfarmmutual.com](http://heartlandfarmmutual.com)

March 14, 2022

**Heartland Farm Mutual Inc.**

Dear Mutual Policyholder:

The Annual General Meeting of Heartland Farm Mutual Inc. is being held by teleconference on Wednesday, May 4, 2022 at 1:00 p.m. Eastern Standard Time.

We are providing you with the following:

- Notice of meeting and Management Proxy Circular
- Minutes of the Annual General & Special Meeting held on April 26, 2021
- Heartland Farm Mutual Inc. 2021 Financial Summary
- Statement of Director Attendance
- Directors Nominated for Election
- Letter to Policyholders
- Form of Proxy
- Return envelope (to return the Form of Proxy)

**Conference Call Dial-in Numbers:** (+1) 201-689-8349 or Toll Free (+1) 877-407-8293

**We strongly encourage you to vote using the attached Form of Proxy in advance of the meeting.** Please complete the Form of Proxy using one of the methods indicated on the form. If you are planning to vote during the meeting, you will be required to have your unique **Holder Account Number** available for voting. This number can be found at the top of the proxy form.

If you would like a copy of the 2021 audited financial statements and notes thereto, please visit our website [www.heartlandfarmmutual.com](http://www.heartlandfarmmutual.com).

Please contact Heartland Farm Mutual at 1-800-265-8813 extension 6000 or by email at [policyholderinfo@heartlandfarmmutual.com](mailto:policyholderinfo@heartlandfarmmutual.com) to confirm your attendance by teleconference.

Sincerely,

Sincerely,

Louis Durocher  
President & Chief Executive Officer and Corporate Secretary

Enclosures

## NOTICE OF ANNUAL MEETING OF MUTUAL POLICYHOLDERS

NOTICE is hereby given that the Annual Meeting of Mutual Policyholders of Heartland Farm Mutual Inc. will be held on **Wednesday, May 4, 2022** at 1:00 p.m. Eastern Standard Time by teleconference. Conference dial in numbers are (+1) 201-689-8349 or (+1) 877-407-8293 (toll free), for the purpose of:

- (a) receiving the financial statements for the year ended December 31, 2021 together with the auditor's and actuary's reports thereon;
- (b) electing directors;
- (c) appointing auditor;
- (d) transacting such other business as may properly be brought before the Meeting.

By Order of the Board  
Louis Durocher  
President and Chief Executive Officer and Corporate Secretary

### Management Proxy Circular

#### Solicitation of Proxy

This Management Proxy Circular is furnished in connection with the solicitation of proxies by the management of Heartland Farm Mutual Inc. (the "**Company**") for use at the Annual Meeting of the Mutual Policyholders of the Company (the "**Meeting**") to be held by Teleconference on **Wednesday, May 4, 2022 at 1:00 p.m. Eastern Standard Time.**

The information contained herein is given as of the **28<sup>th</sup> day of February 2022** except as otherwise noted. It is expected that the solicitation of proxies will be primarily by mail, but proxies may also be solicited by telephone by the Directors or employees of the Company. The cost of this solicitation is being paid for by the Company.

#### Record Date

The Board of Directors of the Company (the "**Board**"), by resolution, has fixed **February 28, 2022** as the record date for the determination of mutual policyholders entitled to receive notice of the Meeting. The holder of one or more mutual policies issued by the Company and in force on the record date, or a duly appointed proxy, is entitled to attend the Teleconference Meeting or any adjournment thereof and is entitled to ONE VOTE, and only one vote, on each issue or matter that is required to be voted upon at the Meeting. Joint policyholders are entitled to one vote between or among them.

#### Revocation of Proxies

Any mutual policyholder who has been given a proxy may revoke it by depositing an instrument in writing, executed by him/her or his/her attorney authorized in writing, by mail at the executive offices of the Company at 100 Erb Street East, Waterloo, Ontario N2J 1L9 on or before the last business day preceding the day of the Teleconference Meeting or any adjournment thereof, or in any other manner permitted by law.

#### Voting by Proxy

Mutual Policyholders may vote by proxy in the manner set out in the Notes to the accompanying Form of Proxy. If a proxy for voting at the Meeting is being submitted by mail, it must be submitted and received by 1:00, p.m., Eastern Standard Time, on April 22, 2022, either to: Computershare, 8<sup>th</sup> Floor, 100 University Avenue, Toronto, ON M5J 2Y1 or to Heartland Farm Mutual Inc., 100 Erb Street East, Waterloo, ON N2J 1L9.

**Election of Directors**

The following directors were nominated for re-election: Mr. Larry Binning, Mr. Geoff Bishop and Dr. Mary Kelly each for a three-year term. Mr. Louis Durocher has been nominated as a director for election to the Board for a one-year term.

The representatives of management, if named as proxy by mutual policyholders, intend to vote at the Annual Meeting for the election of the person nominated above to the Board. Management does not contemplate that the proposed nominee will be unable to serve as a director. If, for any reason, the proposed nominee is unable to serve as such, the representatives of management, if so named as proxy, have the right to vote for any other nominee in their sole discretion.

**Appointment of Auditors**

A firm of auditors is to be appointed by vote of the mutual policyholders at the Meeting to serve as auditors of the Company until the close of the next annual meeting. The Board, on the advice of the Finance and Audit Committee, recommends that the firm of KPMG, LLP be appointed as the auditors. It is intended to vote proxies received from the mutual policyholders in favour of the appointment of KPMG, LLP as auditors of the Company.

**Manner of Voting Proxies**

The mutual policyholder proxies will be voted for or against, the election of directors and the appointment of auditors, in accordance with any directions on the proxy or, absent such directions, such proxies in favour of management shall be voted for the election of the directors, and for the appointment of auditors as referred to in this Management Proxy Circular.

Management knows of no further matters to come before the Meeting other than the matters referred to in the Notice of Meeting. If any matters which are not now known to management should then properly come before the Meeting, or amendments or variations to the matters referred to in the Notice of Meeting are properly proposed, proxies will be voted on such matters, amendments and variations in accordance with the best judgment of the person voting the proxy, which confers such discretionary authority.

The contents and the sending of this Management Proxy Circular have been approved by the Board of Directors of the Company.

Dated this 25<sup>th</sup> day of February 2022

Louis Durocher  
President and Chief Executive Officer and Corporate Secretary

**Heartland Farm Mutual Inc.**  
**Minutes of the Annual General and Special Meeting**  
**April 26, 2021**  
**1:00 p.m. by Teleconference Call**

<b>Chairman, Secretary and Scrutineers</b>	<p>The Chair of the Board, Larry Binning, occupied the Chair and Louis Durocher Corporate Secretary acted as Secretary for the meeting.</p> <p>The Chair requested that Patty Sigiannis and Shirley Tom of Computershare act as Scrutineers for the meeting. There being no objection from the mutual policyholders, Patty Sigiannis and Shirley Tom were so appointed.</p>
<b>Registration Report</b>	<p>The registration report was then received. It showed there was one mutual policyholder present on the phone for the meeting and 1,112 mutual policyholders represented by proxy.</p>
<b>Notice of Meeting</b>	<p>The Chair requested that Michele Falkins, Vice President and CFO table a certificate providing proof of mailing of the notice of meeting, management proxy circular, proxy form, financial statements summary, and publication of the notice of the meeting.</p> <p><b><i>Upon motion duly made, seconded and carried unanimously, it was RESOLVED that the reading of the Notice of Meeting be dispensed with and that the Notice be taken as if read and approved.</i></b></p> <p>The Chair declared that the meeting was called and properly constituted for the transaction of business.</p>
<b>Minutes of the Last Meeting Resolution</b>	<p><b><i>Upon motion duly made, seconded and carried unanimously, it was RESOLVED that the reading of the minutes of the last Annual Meeting of Policyholders held May 7, 2020 be taken as presented and approved.</i></b></p>
<b>Chair's Remarks</b>	<p>The Chair presented his report.</p>
<b>Auditor's Report</b>	<p>Kim Haley of the firm KPMG LLP, Chartered Professional Accountants read the Independent Auditor's Report.</p>
<b>Actuary's Report</b>	<p>Nicolas Beaudoin, the Appointed Actuary, read the Actuary's Opinion.</p>
<b>2020 Financial Statements</b>	<p>Michele Falkins, Vice President and Chief Financial Officer presented the 2020 financial statements and her review of the financial performance for the year.</p>
<b>Resolution</b>	<p><b><i>Upon motion duly made, seconded and carried unanimously, it was RESOLVED that the financial statements of the Company for the year ended December 31, 2020, including the Independent Auditor's Report and Appointed Actuary's Report be taken as distributed and approved.</i></b></p>
<b>Nomination and Election of Directors</b>	<p>The Chair declared the meeting open for the election of Directors.</p>
<b>Resolution</b>	<p><b><i>Upon motion duly made, seconded and carried, it was RESOLVED that the directors named and for the terms set out in the Management Proxy be NOMINATED to the Board of Directors.</i></b></p> <p>No further nominations having been received in accordance with the Company's By-laws and the Insurance Companies Act, the Chair declared nominations closed.</p>
<b>Resolution</b>	<p><b><i>Upon motion duly made, seconded and carried, it was RESOLVED that the directors named and for the terms set out in the Management Proxy be ELECTED to the Board of Directors.</i></b></p>

**Appointment of  
Auditors  
Resolution**

*Upon motion duly made, seconded and carried unanimously, it was RESOLVED that KPMG, LLP, Chartered Professional Accountants, be appointed the independent auditor of the Company until the next annual general meeting of policyholders or until a successor is appointed at such remuneration as may be fixed by the directors and the directors are hereby authorized to fix the remuneration.*

**Presentation by  
President and CEO**

President and Chief Executive Officer, Louis Durocher provided his remarks.

**Comments and  
Questions**

The Chair invited questions from the mutual policyholders.

**Amalgamation  
Resolution**

*Upon motion duly made, seconded and carried unanimously, it was RESOLVED that the Amalgamation Resolution as set out in Appendix B of the Management Proxy Circular dated February 11, 2021 be approved.*

**Termination of  
Meeting  
Resolution**

*Upon motion duly made, seconded and carried unanimously, it was RESOLVED that the meeting be terminated.*

Approved at the Annual Meeting this      day of      2022.

\_\_\_\_\_  
Secretary

\_\_\_\_\_  
Chair

# HEARTLAND FARM MUTUAL INC.

Summary Statement of Financial Position  
(in thousands of dollars)

As at December 31, 2021, with comparative information for 2020

	2021	2020
<b>Assets</b>		
Cash	\$ 39,537	\$ 22,787
Invested assets	254,160	194,382
Due from brokers	6,218	4,026
Premiums receivable from policyholders	38,185	28,664
Accrued investment income	765	599
Insurance and other receivables	1,707	2,039
Deferred income taxes	-	490
Reinsurers' share of:		
Unearned premiums	407	529
Unpaid claims and adjustment expenses	20,312	27,703
Deferred policy acquisition costs	19,112	15,128
Property and equipment	8,985	7,034
Intangible assets	11,047	11,579
Other assets	630	1,429
	<b>\$ 401,065</b>	<b>\$ 316,389</b>
<b>Liabilities</b>		
Expenses due and accrued	\$ 4,998	\$ 4,269
Due to other insurers	79	271
Due to brokers	7,856	5,166
Deferred income taxes	2,361	-
Income taxes payable	2,002	2,074
Provision for unpaid claims	117,500	116,452
Unearned reinsurance commissions	114	91
Unearned premiums	84,090	67,003
Total liabilities	219,000	195,326
<b>Surplus for the protection of policyholders</b>		
Policyholders' equity	167,304	111,464
Accumulated other comprehensive income	14,761	9,599
Total surplus	182,065	121,063
	<b>\$ 401,065</b>	<b>\$ 316,389</b>

On behalf of the Board: Larry Binning, Chair, Louis Durocher, Director

# HEARTLAND FARM MUTUAL INC.

Summary Statement of Income and Comprehensive Income  
(in thousands of dollars)

For the year ended December 31, 2021, with comparative information for 2020

	2021	2020
Gross written premiums	\$ 151,199	\$ 132,500
Reinsurance ceded	(13,526)	(12,580)
Net written premiums	137,673	119,920
Change in unearned premiums		
Gross amount	(8,767)	(2,060)
Reinsurer's share	(122)	368
	(8,889)	(1,692)
Net premiums earned	128,784	118,228
Other	998	2,664
Underwriting revenue	129,782	120,892
Underwriting expenses		
Gross claims and adjustments expenses	57,026	63,775
Reinsurer's share of claims and adjustment expenses	(1,436)	(10,013)
Net claims and adjustment expense	55,590	53,762
Commissions	30,100	24,811
Premium taxes	4,989	3,896
Salaries and benefits	11,349	10,152
Operating expenses	10,132	6,815
	112,160	99,436
Underwriting income	17,622	21,456
Interest income	3,376	3,828
Investment expenses	(594)	(486)
Realized gain on available-for-sale financial assets	214	4,491
Unrealized gain (loss) on financial assets at fair value through profit or loss	(4,319)	5,065
Income before income taxes	16,299	34,354
Income taxes		
Current	1,345	9,176
Deferred	2,920	124
	4,265	9,300
Net income	\$ 12,034	\$ 25,054
Other comprehensive income (loss)		
Unrealized gain on available-for-sale assets arising during the period, net of tax \$1,873 (2020 - \$281)	\$ 5,162	\$ 780
Reclassification of realized gain on available-for-sale financial assets to net income, net of tax of \$(nil) (2020 - \$(1,190))	-	(3,301)
Other comprehensive income (loss)	5,162	(2,521)
Total comprehensive income	\$ 17,196	\$ 22,533

**HEARTLAND FARM MUTUAL INC.**  
**Statement of Director Attendance for Standing Committees**  
**For the year ended December 31, 2021**

**MEETINGS of the BOARD of DIRECTORS**

During 2021, there were eight (8) meetings of the Board of Directors.

The number of meetings attended by each Director: Larry Binning (8/8) Paul Broadhead (8/8); Louis Durocher (8/8); Andrew Dymont (8/8); John Stein (8/8); Mary Kelly (8/8); Gayle Whittamore (8/8); Lynn MacLean (5/5); Ruphina Kaulback (5/5); Geoff Bishop (5/5); Robert Forbes (1/1); Helen Johns (3/3); Quentin Martin (3/3)

**MEETINGS of the FINANCE and AUDIT COMMITTEE**

During 2021, there were four (4) meetings of the Finance and Audit Committee.

The number of meetings attended by each Director who was a member of this committee: Larry Binning (4/4); Paul Broadhead (4/4); John Stein (4/4); Andrew Dymont (4/4); Ruphina Kaulback (1/1); Helen Johns (3/3); Mary Kelly (3/3)

**MEETINGS of the RISK COMMITTEE**

During 2021, there were five (5) meetings of the Risk Committee.

The number of meetings attended by each Director who was a member of this committee: Larry Binning (5/5); Andrew Dymont (5/5); Mary Kelly (5/5); Gayle Whittamore (5/5) Geoff Bishop (2/2); Quentin Martin (2/3);

**MEETINGS of the CORPORATE GOVERNANCE COMMITTEE**

During 2021, there were four (4) meetings of the Corporate Governance Committee.

The number of meetings attended by each Director who was a member of this committee: Larry Binning (4/4); Paul Broadhead (4/4); Gayle Whittamore (4/4); Mary Kelly (2/2); Lynn MacLean (2/2); Quentin Martin (2/3);

**MEETING of the CONDUCT REVIEW COMMITTEE**

During 2021, there was one (1) meeting of the Conduct Review Committee.

The number of meetings attended by each Director: Larry Binning (1/1) Paul Broadhead (1/1); Andrew Dymont (1/1); Helen Johns (1/1); Quentin Martin (1/1); John Stein (1/1); Mary Kelly (1/1); Gayle Whittamore (1/1)

In accordance with the provisions of the Insurance Companies Act, the above statement of attendance is included as an attachment to the Notice of Annual Meeting of policyholders.





**HEARTLAND**  
FARM MUTUAL

**Directors Nominated for Election to the  
Board of Heartland Farm Mutual Inc.**

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**Louis Durocher**

Louis Durocher was appointed President and Chief Executive Officer of Heartland effective July 9, 2018. An actuary by profession, Louis is a highly accomplished leader in the property and casualty insurance sector. His previous position was Chief Risk Officer for Aviva Canada, where he worked with industry regulators and was Advisor to all Board Committees. Previously, he was the Chief Actuary and also led the company's National Commercial Lines and Reinsurance department. During his career, Louis also held a number of senior positions with The Economical Insurance Group and served on various committees for the Insurance Bureau of Canada and other industry boards. Now residing in Cambridge, Louis relates enthusiastically to the values of Heartland with our focus on client and community relationships.

**Larry Binning**

Larry was elected to the Board of Oxford Mutual (now Heartland Farm Mutual) in March 2013 and was elected Chair in 2020. Growing up in Perth County on a small family farm, he then obtained his Hon. BSc. in 1976 from the University of Waterloo. He spent the next 30 years working in the food processing industry, beginning as a plant micro-biologist and quickly becoming a key executive at Cuddy Food Products, Cold Springs Farm, and Maple Leaf Foods. Larry was heavily involved in national industry associations, including the Canadian Poultry and Egg Processors Council. He was also a representative on the Tariff Quota Advisory Committee, chaired by the Department of Foreign Affairs and International Trade. Larry and his wife Mary Ann have lived in Thamesford for 27 years, where he has been heavily involved in the community through the Thamesford Lions, Thamesford Business Association, Minor Hockey and Baseball.

**Geoff Bishop**

Geoff is the President of Bishop Farms Limited. He has extensive experience in the dairy and farming industry. Geoff holds a Nova Scotia Agricultural College Degree with a Farming Technology Diploma and a Minor in Business. He was the recipient of Canada's Outstanding Young Farmers Program in 2013 and has been serving on The Kings Mutual Insurance Company Board since 2007. Additionally, he holds memberships/directorships with West Nova Agro Commodities, Dairy Farmers of Nova Scotia, Agropur, Holstein Canada and the Nova Scotia Federation of Agriculture.

**Dr. Mary Kelly**

Mary Kelly joined Heartland's Board of Directors on May 7, 2020 and is a Professor of Finance and Chair of Insurance at Wilfrid Laurier University in Waterloo, Canada. Previously, she has taught at University of Calgary and worked as an actuary before entering academia. Mary holds an undergraduate degree in statistics and a Master's degree in actuarial science, both from the University of Waterloo and a doctorate in finance from the University of British Columbia. She has completed the Canadian Risk Manager designation and is an active member of the American Risk and Insurance Association and the Southern Risk and Insurance Association. She has consulted for several organizations including the Insurance Institute of Canada, the Insurance Bureau of Canada, the Ministry of Finance for Ontario, and the Ministry of Finance for Alberta.

## Letter to Policyholders

March 14, 2022

Dear policyholder,

One of the roles of the Board of Directors is to ensure that sufficient funds are maintained at all times to cover the organization's current and future obligations, including enough capital to pay policyholders claims. This includes making sure funds are available for the company to continue to grow, invest in technology, develop new products, invest in pricing sophistication as well as in customer experience.

Historically, the Board would also determine whether total premiums paid by policyholders were larger than required in any given year, accounting for the organization's strategic plan needs. When this occurred, the Board of Directors would declare a refund in the form of a premium rebate.

In more recent years, with industry investments directed to improving actuarial capabilities, sophisticated pricing techniques have emerged. Heartland has strategically invested in actuarial talent in order to leverage such pricing sophistication, which has become a matter of necessity in today's competitive property & casualty industry. This allows us to assess the adequacy of our premiums for each line of business with modern techniques, and to make targeted premium adjustments based on profitability instead of using rebating.

This sophisticated approach has replaced the historical system which relied on subjective premium adequacy assessments. By developing a pricing system that strikes a balance between risk and price, we have rendered the previous practice redundant. In practical terms, in 2021, this approach to premium setting has returned \$6 million to a cross-section of our policyholders by way of targeted rate reductions. In summary, in light of our sophisticated approach to premium setting, the Board of Directors has decided not to take any further action in regards to premium rebates.

Additionally, in the past two years, the Board of Heartland has made a \$15 million investment in replacing our policy administration system with the Guidewire state-of-the-art insurance platform, which includes digital capabilities. This investment has been a foundational component in achieving and maintaining strong operational performance, which promotes Heartland's future success.

Moving forward with the successful amalgamation of The Kings Mutual Insurance Company and Heartland Farm Mutual Inc. effective August 1, 2021, we have further committed \$5 million in 2022 to support the complete replacement of the Nova Scotia policy issuance system with Guidewire technology. These additional investments will help us to increase our market share, leading to a financially stronger company that is able to help policyholders in times of need.

On behalf of your Board of Directors, thank you for placing your business with Heartland, and trusting us to make decisions on behalf of all policyholders.

Yours truly,

Larry Binning  
Board Chair