

**EQUITY CREDIT UNION INC.**

**Minutes of the Enterprise Risk Management Committee Meeting  
December 8, 2022**

A meeting of the Enterprise Risk Management (ERM) Committee of Equity Credit Union Inc. was held on Thursday, December 8, 2022. This meeting was held with all participants located remotely and attending the meeting by way of a Microsoft Teams connection.

**Present:**        Larry Biancolin        Chair  
                      John Loreto             Director  
                      Jeannine Wilson       Director  
                      Tom Dimson            Chief Executive Officer  
                      Louise Robichaud     Finance Manager

being members of the committee and by invitation,

                      Carol Lewis             Recording Secretary

**CALL TO ORDER**

Mr. Biancolin called the meeting to order at 5:06 p.m.

**ACCEPTANCE OF MEETING AGENDA**

The agenda was adopted as presented.

**MINUTES OF THE PREVIOUS MEETING**

The minutes of the October 18, 2022 committee meeting had been received and reviewed by the committee. No errors or omissions were noted.

## ACTIONS ARISING FROM THE PREVIOUS MEETING

**Action #1:** **Continued** Act on ensuring the completion of the CuSource Board qualifications and training component.

**Action by:** HR Committee, Board members. **Continue as Action #1**

This action was continuing in progress.

**Action #2:** Put the issue of Director qualifications and training on the agenda for the October 19th Board meeting.

**Action by:** Mr. Dimson. **Complete**

**Action #3:** Insert the chart, Governance Training for Canadian Credit Union Board Directors, into the credit union's qualifications and training policy.

**Action by:** HR and Policy Committees. **Complete**

**Action #4:** Forward a screen shot of the Governance Training for Canadian Credit Union Board Directors chart to the Recording Secretary to include in the minutes.

**Action by:** Ms. Wilson. **Complete**

## ERM RISK DASHBOARD REVIEW

In reviewing the Risk Portfolio Dashboard the committee noted that there were no new risks. All risks continued in the low risk category with the exception of #5.

### Risk #5, Board Qualifications and Training

Risk #5 continued to be designated at medium risk and was being worked on. In discussion later in the meeting it was agreed that this risk would remain at medium in order to ensure that it has been addressed in its entirety.

### **Discussion of Current Economic Performance**

The committee discussed current economic activities noting the following:

The Bank of Canada on December 7th had increased the overnight lending rate by 50 bps to 4.25 percent. This was the seventh time the interest rate had been increased since March 2nd at which time it was raised from 0.25 percent to 0.5 percent. Mr. Loreto asked whether any members' loans / mortgages were at risk at this time. Mr. Dimson stated that there were none although the payments on some variable products had been adjusted. He noted that the credit staff knows the members and monitors their accounts.

Mr. Biancolin asked about the percentage of total variable rate mortgages which Mr. Dimson stated was about 10 percent at most. He reiterated that the mortgages are monitored and that Management receives daily reports including on potential delinquencies. The committee commented on the actions being taken by some of the big banks that, rather than foreclosing, they were adding any outstanding accrued mortgage interest onto the balance of the mortgage. He stated that Equity Credit Union was not taking a hard stance but continued to be aware of current circumstances. It was noted that a special plan--mortgage payment deferral-

-had been put in place in 2020-2021 to assist members at risk due to the Covid-19 pandemic and general lockdowns economically.

Mr. Dimson advised that the Bank of Canada will meet again in late January and will look key data points as well as the unemployment rate which continued to be low and the inflation rate which remained high. It was questioned whether the Bank may pause in increasing the overnight rate if economic results became more favourable. With regard to consumer spending, the committee commented on a possible effect on inflation from Christmas shopping. Mr. Dimson noted that during the Covid-19 lockdowns, people generally held on to their money and may be more conservative at this time with regard to mortgages, lines of credit and spending in general.

### **Discussion of Possible New Risks**

In response to Mr. Biancolin's question, Mr. Dimson stated that interest rate risk (IRR) will be ongoing resulting in some margin compression adding that Management will continue to monitor inflation and closely watch accounts with respect to potential delinquency.

Mr. Dimson stated further that there had been a development in the last month concerning cyber insurance coverage and asked Ms. Robichaud to explain. Ms. Robichaud advised that the credit union's cyber insurance coverage would no longer be provided by CUMIS. Due to concerns caused by cyber risk, all credit unions in Ontario were now unable to renew that insurance through CUMIS due to losses from cyber claims in the past few years. Because of the risks involved, CUMIS had hired Marsh Canada to find a market for cyber insurance coverage. Marsh had retained and bound a coalition of two insurers, one at 70 percent and the other at 30 percent for \$2 million in coverage at a premium of \$2,600 annually. That coverage was now in place.

In discussing the amount of the cyber insurance coverage, Mr. Loreto asked about the amount of coverage in the previous year. Ms. Robichaud stated that it was at least \$2 million which Mr. Loreto thought to be low. He referred to other types of coverage that insure various risks separately such as, for example, privacy and ransomware attack for which each premium would be negotiated.

Ms. Robichaud advised further that although not providing the credit union's cyber insurance, CUMIS would continue to be involved to negotiate with Marsh Canada on behalf of all the credit unions that are interested in being in that program.

With regard to assessing this item as a risk, Mr. Biancolin stated, and the committee agreed that, in view of the fact that this potential risk had arisen recently and had already been resolved, it was not necessary to include it on the credit union's risk register.

### **Operational Risk**

There were no items of operational risk to be discussed.

### **BUSINESS ARISING**

There were no items of business arising.

**OTHER BUSINESS**

There were no items of other business.

**DATE OF NEXT MEETING**

The next meeting of the committee was not scheduled at this time.

**ADJOURNMENT**

The business of the meeting having been completed, the Chair terminated the meeting at 5:42 p.m. An *in camera* meeting was not requested.

\_\_\_\_\_  
Larry Biancolin, Chair  
CL/cl

\_\_\_\_\_  
John Loreto, Secretary

Date: \_\_\_\_\_

Date: \_\_\_\_\_



**For reference**

<b>Governance Training for Canadian Credit Union Board Directors</b>			
<b>Level A Foundations of Governance</b>	<b>Level B Governance in Action</b>	<b>Level C Governance Application</b>	<b>Graduation Program Completion</b>
The Six Online Modules	Risk Oversight	the Role of the Audit Committee	Directors who complete the entire CUDA Program (all of courses in Levels A B and C) receive a certificate marking their achievement.
Foundations of Governance in Theory and Action.	Strategy: Planning and Oversight.	Governing Credit Risk	
	Board Performance, Development and Evaluation.	Two Elective Courses (Choose from the continuing education section of the Cusource Educator's Director course catalogue.)	
	HR Governance		

**Note:** Directors who complete the CUDA Program and have served on a credit union Board for two years may write a qualifying exam to become an Accredited Canadian Credit Union Director (ACCUD). This designation is awarded jointly by Dalhousie University and the Credit Union Institute of Canada (CUIC).