

Annual Report²⁰¹⁷



New Brunswick
INSURANCE
Board



March 1, 2018

Minister of Finance
Province of New Brunswick
P.O. Box 6000
Fredericton, NB
E3B 5H1

Attention: Honorable Cathy Rogers

Dear Minister Rogers;

Re: 2017 Annual Report

On behalf of the Members of the New Brunswick Insurance Board and pursuant to section 19.9 of the *Insurance Act*, I am pleased to submit our Annual Report for the 2017 calendar year. The report contains an overview of our activities for the year, as well as our audited financial statements for the 2016-2017 fiscal year ending March 31, 2017.

Respectfully submitted,

Marie-Claude Doucet
Chair & CEO
New Brunswick Insurance Board

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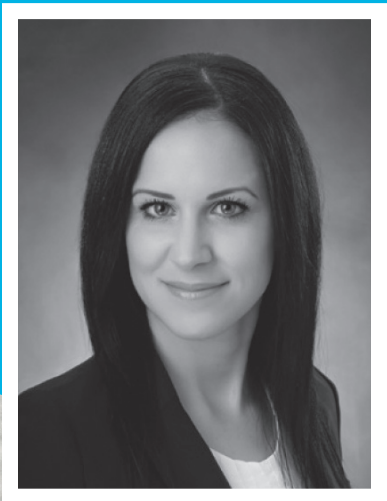
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New Brunswick
INSURANCE
Board

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Message from the Chair

The Mandate of The Board

The New Brunswick Insurance Board (NBIB or the Board) has been assigned, by legislation, an important responsibility since 2004: to ensure that the premiums charged by automobile insurance companies conducting business within our province are just and reasonable. Over the past year, the Board has been strongly committed to doing just that, through its multiple review and inquiry mechanisms.

Overview of 2017 and Outlook for 2018

After over a decade of rate stability, it appears many insurance companies doing business in New Brunswick are now incurring significant increases in overall loss costs. This situation is inevitably creating upward pressures on rates.

While this pressure has been increasing over the past year, for the most part, auto insurance companies have applied for rate changes far below their indication or the rate required to cover losses and expenses. That said, this year, many insurers could no longer ignore this pressure and were compelled to file for significant rate increases of over 3%, with some requests as high as 15% to 20%. The Board has consistently been presented with evidence from the market attesting to the necessity for important automobile insurance rate increases. Many variables, including severe winter weather, increases in costs of claims including the significant cost to repair vehicles equipped with new technology have transpired to contribute to the hike in claims and in turn rates.

We are proud that New Brunswick drivers are currently paying amongst the lowest rates in the country and despite the challenge we are currently facing, the Board pledges to continue to closely monitor the situation on rates and to stay abreast of any changes in the industry to ensure New Brunswick consumers are paying fair rates.

We understand New Brunswickers value predictability in knowing what they will be paying for insurance. This is the reason why, as rate increases continue to be required by insurers in the near future, we will continue to ensure that rates are just and reasonable for all parties. When significant rate increases are warranted, we will encourage industry, through our review processes, to strive for steady incremental rate changes in order to avoid rate shock to consumers.

We also understand that availability of insurance, as well as choice is important for New Brunswickers. That is why the NBIB must ensure that rates reach the appropriate level within a reasonable time frame. Otherwise, insurance companies may choose not to write insurance in certain parts of New Brunswick or

in the province at all. The NBIB is committed to ensuring that these types of market disruptions don't occur.

We remain optimistic that with the application of our extensive review and inquiry mechanisms that are in place, we will continue to achieve reasonable rate and market stability in 2018.

Efficiencies and Effectiveness

Improving the Review and Hearing Process

As indicated in our previous Annual Report, in 2016 an initiative introducing a hybrid hearing format, comprised of written and electronic (tele-conferencing) components, was adopted. Although this new hearing structure has proven to be very effective, through communication with the various stakeholders and our firm commitment to ensure fairness to all parties, the Board recognized other areas to target for improvements. Notably, one specific challenge that was identified is the timeframe to process filings, from the date the Application is received to the date of a hearing and the subsequent decision. Considering the importance of this issue to the parties, the Board has tasked itself to fully examine its review processes and to work towards finding appropriate solutions to resolve this matter.

Investing in Continuing Development

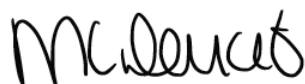
With the objective of reaching higher in our quest for excellence, NBIB has once again showed initiative and leadership in 2017. Notably, the NBIB has undertaken the steps necessary towards the development of actuarial training modules for our rate analysts and Board members. This was deemed to be an imperative project due to the complexity of actuarial principals and concepts involved in ratemaking, that staff and Board members are required to analyze and assess in the review and decision making process.

At the beginning of the year, the Board retained its consulting actuaries from KPMG to create the Board members' actuarial training modules. We are proud to have been able to deliver this newly developed continuing development material to our members in January 2018.

Following a presentation on our continuing development initiative during the annual Canadian Automobile Insurance Rate Regulators Association (CARR) Conference held in September, we were delighted to receive much interest from our colleagues across Canada. Recognizing the tremendous value of our training modules, many of our fellow rate regulators have communicated to us their intent in taking part in our continuing development program in the upcoming years.

Finally, I wish to highlight that the Board would not be able to continue to strive for and achieve excellence without the continued dedication and exceptional work of our executive, management and staff. I therefore take this opportunity to express my thanks and appreciation for their support, loyalty and commitment to the Board.

Sincerely,



Marie-Claude Doucet
Chair & CEO
New Brunswick Insurance Board

The Board

The New Brunswick Insurance Board is a quasi-judicial administrative tribunal established through legislation by the Government of New Brunswick in 2004 as the regulatory agency tasked with overall supervision of automobile insurance rates in New Brunswick. The NBIB is an independent agency that operates at arm's length from government.

The *Insurance Act* requires that insurers file their proposed rates at least once every 12 months. All filings are reviewed in order to ensure the proposed rates are just and reasonable.

As of December 31, the Board was comprised of the Chair, Vice-chair and eight other members. In addition to the CEO, Marie-Claude Doucet, the Board currently employs seven employees.

Mission

The Board's mission is to regulate automobile insurance rates under the *Insurance Act* for all companies doing business in the Province of New Brunswick and to ensure procedural fairness to all parties appearing before the Board. The Board will ensure New Brunswick auto insurance rates are:

- Just and reasonable

And to the greatest extent possible;

- Based on New Brunswick driver experience
- Based on New Brunswick company experience
- Based on comparison to other provinces in Atlantic Canada

Board Governance

The Chair is responsible for administering the *Insurance Act* as it relates to the Board and for the overall performance and management of the Board. The Chair is also the Chief Executive Officer (CEO) of the Board; therefore, the daily operation of the Board is under the leadership of the CEO.

Board members have the powers and privileges of a commissioner under the *Inquiries Act* and the Regulations under that *Act*. The Board may make rules governing its procedures and has full jurisdiction to investigate, hear and determine all matters on automobile insurance rate regulation, whether of law or fact.

The Board, when directed by the Chair to sit for any particular purpose or situation, may act as a full Board or as a panel of at least three members of the Board. Generally, the Board reviews rate applications as a panel and considers generic issues as a full Board.

Members



Marie-Claude Doucet
Chair



Brad Woodside
Vice-Chairman



Bernard Gautreau



Jim Jessop



Francine Kanhai



Al Kavanaugh



Robert McSorley



Katherine Munro



Heather Stephen

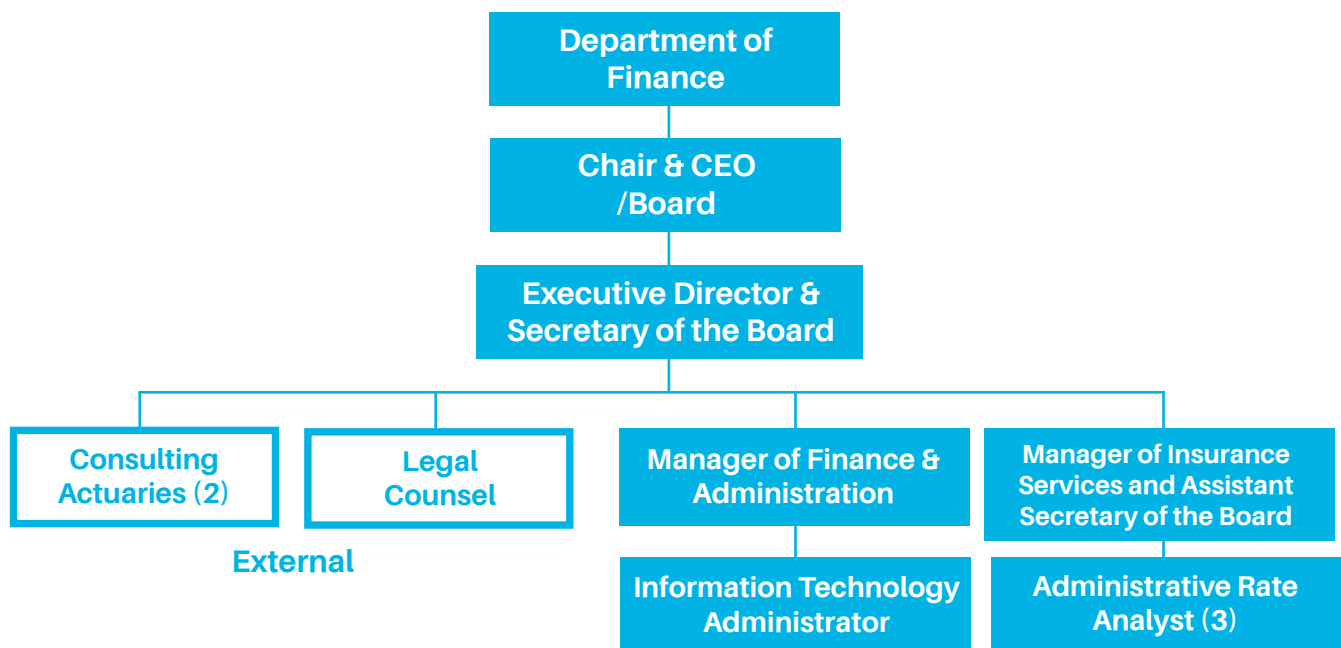


Elizabeth Turgeon

In 2017, the terms of Board members Georges Léger of Shediac and Andrew Dawson of Fredericton have ended. The Board thanks them for their service.

In August, the term of Jim Jessop was renewed and we are pleased that this seasoned member will continue to serve over the next three years. The Board also welcomes Robert McSorley who was newly appointed in August for a three year term.

Organizational Chart



Accountability

By legislation, the NBIB is obligated to report its previous year's activities to the Minister of Finance by March 1st. This report highlights our activities and accomplishments of the 2017 calendar year. When requested, the Board also appears before the Standing Committee on Crown Corporations to report on its activities.

The Board publishes on NBIB's website its approvals and decisions in both official languages and continuously updates its content as required.

As legislated by the *Insurance Act*, the operating costs of the NBIB are covered by the insurance industry through annual assessments. Audited financial statements are

produced each year. The financial statements for the fiscal year ending March 31, 2017 are attached in Appendix B.

Board members participate in the review process conducted by the NBIB, as well as in Board meetings, training and conferences conducted throughout the year. In addition to its regular rate reviews, and orientation to new members, NBIB offered continuing development to the entire Board in January 2018.

Board Involvements

Canadian Automobile Insurance Rate Regulators Association (CARR)

In the fall of 2017, the 11th annual conference for CARR was held in St. Johns, Newfoundland. Delegates of rate regulatory bodies across Canada attended the 3 day conference. This annual event has proven to be instrumental over the years by providing participating jurisdictions the opportunity to meet and work together to improve rate regulatory processes. CARR also provides regulators with an opportunity to address current and potential regulatory challenges and works together to find common solutions.

Notably, various emerging matters which impacts or will impact rate regulation in the future were discussed during our annual conference. These included increasing physical damage costs, telematics, autonomous vehicles, and distracted driving. Also, during CARR's annual general meeting, NBIB's Chairperson was nominated to serve as a member-at-large of CARR's Board.

The Board is proud that, since the creation of CARR, the NBIB staff has always played a vital role within the organisation by serving on various committees and on the Board. Notably, over the past few years, in conjunction with serving on CARR committees, our Manager of Insurance Service and Assistant Secretary, Kelly Ferris, has taken over the leadership of organizing CARR's staff spring training as well as its fall annual conferences. The Board is grateful for her invaluable contribution and for making these events a real success.

Other Participations & Contributions

In order to stay abreast with the most recent developments both within the industry and in the fields of administrative law and adjudication, NBIB's Chairperson participated in several conferences and professional development events, including KPMG's annual Conference on Insurance, the National Insurance Conference of Canada, and the Canadian Institute's 17th Advanced Administrative Law and Practice.

This year, the Board's Chairperson also obtained her certification in Adjudication for Administrative Agencies, Boards and Tribunals from Osgoode Hall Law School (York University) and participated as a guest speaker along with Executive Director, Kevin Duff to the Seminar for the Appointed Actuary hosted by the Canadian Institute of Actuaries.

Did you know?

That the NBIB was a key founding member of CARR and hosted the original national conference in 2007. NB hosted the 9th national conference in 2015. CARR is truly national in scope. All provinces (except Saskatchewan) have now hosted a CARR conference. The 2018 conference is scheduled for Calgary, AB.

Rate Review Process



The Board reviews all rate applications for auto insurance annually.

The rate applications are reviewed by Board staff or by Board staff and the Board's consulting actuaries from Ernst & Young or KPMG. The rigorous review process involves discussions with the insurers to clarify processes, to question assumptions used to prepare proposed rates and to ensure that the rate applications are prepared using sound actuarial practices and principles. Each review can be different depending on the type of application and its complexity. Usually the reviews examine and question the trends that are being used in the rate calculations, consider each insurer's actual experience compared to what had been previously projected and analyse the overall composition of each insurer's book of business (customer base).

The Board also reviews the filing to ensure that New Brunswick data has been used to the greatest extent possible, that the filing is consistent with prior filings, industry trends and that adequate support has been supplied for selected assumptions i.e. trends, complement of credibility. The Board has authority over any proposed changes by an insurer that will affect auto insurance rates.

After the initial review is completed, if the rate application does not trigger an automatic hearing by seeking to increase current rates by more than 3%, it is passed to a review panel. The review panel examines the final version of the rate application and makes a recommendation to the Chair as to whether the rate application requires further investigation or not.

If the rate application is recommended for further investigation, the Chair can order a hearing where the insurer will have to defend the rate application before another panel of the Board and any intervenors such as the Office of the Attorney General or the Office of the Consumer Advocate for Insurance.

The complete review and hearing process has been developed to allow the Board to decide if the rates proposed in each rate application are just and reasonable. The review and hearing process will ultimately consider actual company information and projections, industry specific information and other general information about the current state of the insurance marketplace.

2017 Market Summary

Beginning this year, the Annual Report will provide some information about the current state of the New Brunswick automobile insurance market. This will provide some context for the current decision making environment in which the Board operates.

The auto insurance marketplace has been relatively stable with respect to the number of vehicles insured, total premiums paid and the number of insurers operating here in New Brunswick. However, as noted in the Chair's message, claims costs have been rising steadily for the last few years.

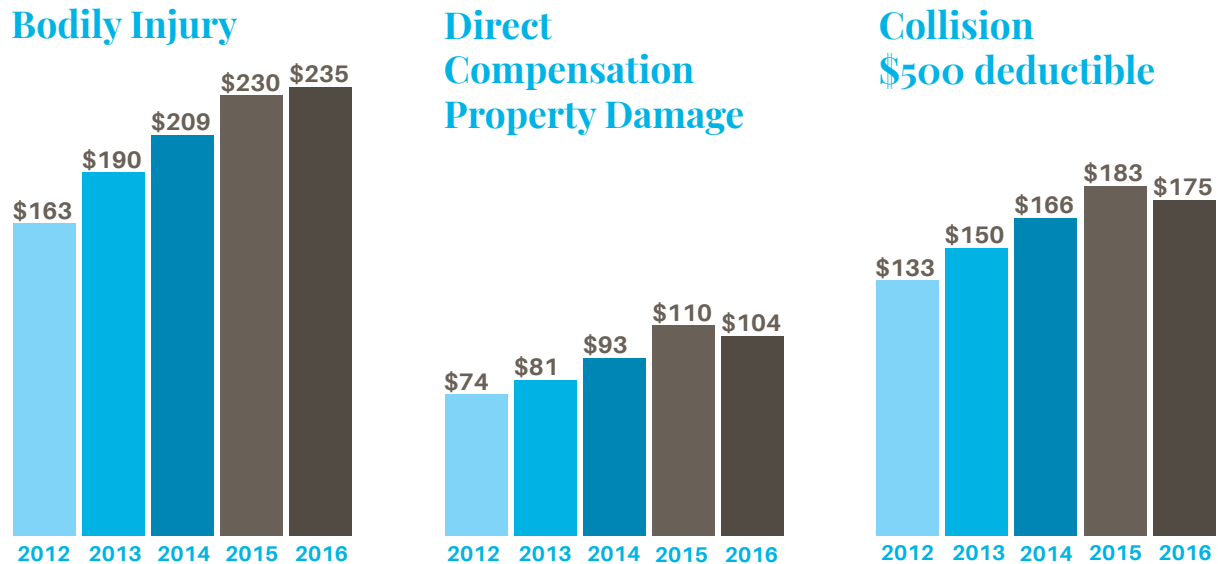
In terms of premiums the three largest parts of the average auto insurance policy are coverage for Bodily Injury (BI), Direct Compensation Property Damage (DCPD) and Collision. From 2012 through 2016, the average cost per claim (severity) has been increasing for each of these three coverages. The number of claims (frequency) for these coverages has been more stable with some variation up and down.

Did you know?

Crashes on New Brunswick roads killed 64 people last year, including 20 people who were not using seatbelts.

Incurred Claims Cost per Vehicle

Source: GISA AUTO 1010

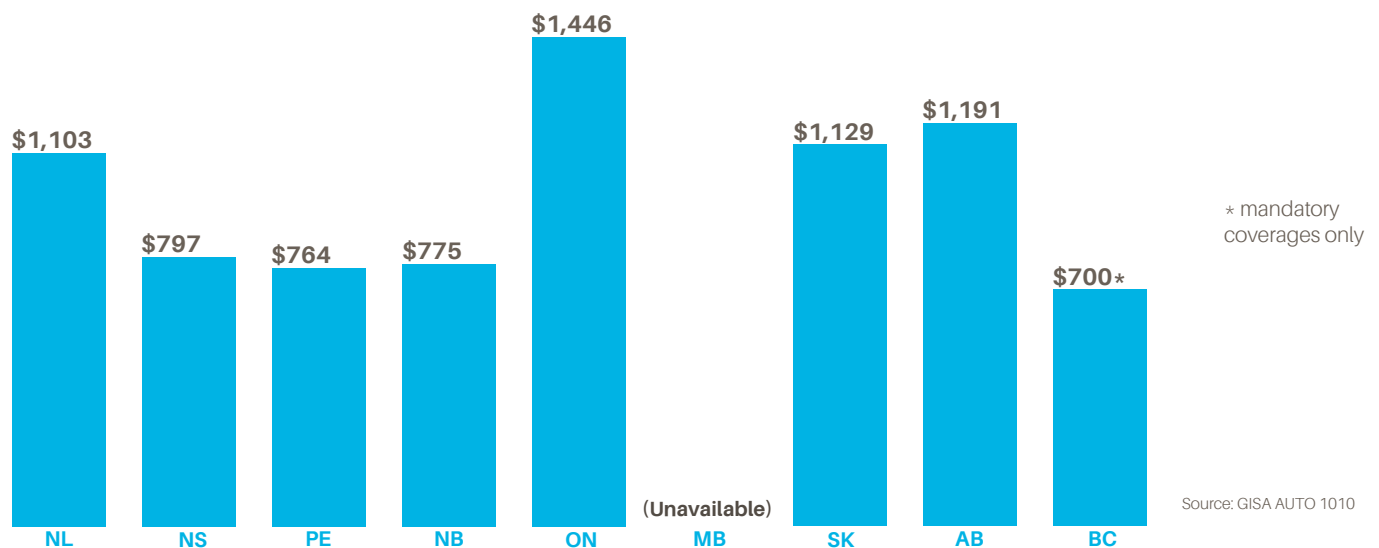


Combining severity and frequency provides a determination of average loss cost per vehicle insured and this amount has gone up significantly for these three coverages over the past five years as shown in the chart above.

It is impossible to know exactly what factors are driving the increase in claims costs. Certainly the Board anticipated some significant impact from the revised *Injury Regulation* that was enacted in 2013. The impact of these changes is now flowing through the system.

Other factors could include the impact of poor winter driving conditions province-wide, especially during the winter of 2015, as well the impact of an increasingly urban population with consequent changes in driving habits. Additionally, newer vehicles of all types and classes have benefitted from increasingly high-tech safety equipment but this expensive to repair equipment is often located in the parts of the vehicle that are most vulnerable to collisions.

Average Premium per Province



Above is a cross Canada comparison of overall average premium for 2016. The British Columbia premium is based on mandatory coverages only.

2017 Rate Applications

In 2017, the Board received rate applications from companies, Facility Association (FA) and IAO Actuarial Consulting Services Inc. (IAO) for private passenger vehicles and various types of commercial, interurban and miscellaneous vehicles as well as other non-rate filings (See Appendix A for more details).

The Board reviewed a total of **376** filings in 2017, which included:

- **44** private passenger vehicle rate filings
- **39** commercial and interurban vehicle rate filings
- **268** miscellaneous vehicle rate filings including, motorcycles, ATVs, snowmobiles, buses, taxis etc.
- **25** non-rate filings including: updating rate group tables, proposed changes to endorsements, and proposed changes to rating rules.

Hearings

An insurer must appear before the Board when:

- a) It files for a rate change more than twice in a 12 month period, or
- b) Files rates where the average rate increase is more than 3% greater than the rates charged by it in the 12 months prior to the date on which it proposes to begin to charge the rates, or
- c) When the Board requires it to do so.

The Board will determine the format to hear any matter (i.e. oral, written or electronic).

The Board will make public its intent to hear a matter at least 20 days prior to a hearing. Included within this Notice are details for how to apply to become an intervenor.

The Board's oral hearings are open proceedings and any member of the public is welcome to attend.

During 2017 the Board held 12 hearings. Three other hearings were initiated in late 2017 with hearing dates in early 2018. All hearings were held due to the legislative requirement to hold a hearing when an insurer files rates greater than 3% in a 12 month period.

Did you know?

That the most recent available numbers (2016) show that there are nearly 494,000 private passenger vehicles insured in New Brunswick. Total insurance premiums paid for those vehicles was approximately \$382 million, making the average premium per vehicle around \$775.

Decisions for hearings may be found on the Board's website at www.nbib-canb.org

2017 Hearings

Company	Class	Indication	Proposed	Approved
TD Home and Auto	Private Passenger	31.20%	3.70%	3.70%
Primmum	Private Passenger	31.20%	10.40%	10.40%
Security	Private Passenger	31.20%	6.70%	6.70%
Lloyds	All Terrain Vehicle	17.60%	19.90%	19.90%
Lloyds	Snow Vehicle	44.60%	26.50%	26.50%
Intact	Private Passenger	10.98%	10.98%	6.96%
Facility Association	Taxi	21.90%	21.90%	18.20%
Facility Association	Snow Vehicle	8.10%	8.10%	5.09%
Facility Association	Commercial	7.40%	7.40%	3.90%
Trafalgar	Private Passenger	11.00%	10.26%	5.59%
Wawanesa	Private Passenger	31.70%	6.96%	6.96%
Facility Association	Private Passenger	15.10%	15.10%	9.80%

External Consultants

Consulting Actuaries

Ernst & Young and KPMG provide a wealth of world-class talent and experience to the actuarial review process and have provided the NBIB with excellent advice and support since their appointment.

Ernst & Young

EY is a global leader in assurance, tax, transaction and advisory services. Worldwide, their 230,000 people are united by their shared values and an unwavering commitment to quality. EY make a difference by helping their people, their clients and their wider communities achieve their potential.

EY Canada employs approximately 4,600 people.

Headquartered in Toronto, EY Canada has offices in 15 locations across the country: Vancouver, Calgary, Edmonton, Saskatoon, Winnipeg, London, Kitchener, Ottawa, Montréal, Québec City, Saint John, Moncton, Halifax, and St. John's.

EY's Insurance and Actuarial Advisory Services (IAAS) professionals provide leading practices and effective solutions to the insurance industry. IAAS is the third largest employer of actuaries in North America and comprises more than 200 actuarial professionals located in Toronto,

New York, Boston, Chicago, Hartford, Atlanta, Dallas, Philadelphia, and Los Angeles. As part of EY Global, their actuarial professionals are able to leverage contacts and extensive resources anywhere in the world.

EY has a highly-respected P&C Actuarial practice in its Toronto office which comprises:

- 10 actuaries
- Actuaries who serve as the Appointed Actuary, Audit Actuary and Peer Reviewer to more than 20 companies in Canada
- Actuaries who have held management and executive positions inside the insurance industry

EY's actuarial practice is also able to offer a host of advisory services to help understand sources of value, key financial drivers, maximize the efficiency of capital allocation, and identify and manage exposure to risk. Some of these services include: actuarial operations, external reviews, transaction support and financial performance improvement. EY IAAS team provides actuarial services directly and indirectly (e.g. audit, tax, external review) to many property and casualty companies (including three of the top 10 P&C companies) in the Canadian insurance market.

KPMG

KPMG is a limited liability partnership providing services in audit, tax and advisory to private business, not-for profit, and public-sector organizations in Canada.

In Canada, KPMG employs close to 6,000 people including 30 actuarial professionals. In the property and casualty (P&C) insurance industry, KPMG actuarial consultants assist insurance companies, regulators and other stakeholders with:

- Actuarial specialist support for rate regulators;
- Growth strategy consulting and pricing of P&C products, including preparation of automobile rate filings;
- Research assignments focusing on insurance and actuarial issues on behalf of government, insurance industry and actuarial organizations;
- Appointed actuary role including actuarial valuation and dynamic capital adequacy testing (DCAT);
- Actuarial audit support and peer review;
- Financial reporting including modelling of IFRS 17 impacts;
- Risk and capital management including ORSA; validation of economic capital models;

- Business opportunity valuation (including acquisitions), due diligence and integration issues; and
- Operational efficiencies (underwriting and claims) through data analytics.

KPMG's actuaries are actively involved in the actuarial community and has a team of six actuarial professionals currently serving NBIB.

Legal Counsel

Cathy Fawcett has served as legal counsel to the New Brunswick Insurance Board since 2012. She is a founding and co-managing partner of Godbout Fawcett, a boutique law firm in Saint John specializing in regulatory law, administrative law, health law and complex litigation. Godbout Fawcett's clients include a myriad of professional bodies, regulators and administrative tribunals seeking advice on legislation, discipline, practice and procedure and due process.

Ms. Fawcett's advice to the Board and its members commences with an introduction to Administrative Law for all newly appointed Board members. Thereafter, she provides specific advice during rate hearings, particularly in relation to practice and procedure and due process for all stakeholders. In addition to hearings, Ms. Fawcett counsels the Board on broad issues surrounding administrative law and insurance law as those topics relate to the Board's legislative mandate.



New Brunswick Market

Based on General Insurance Statistical Agency (GISA) data, the breakdown of the types of vehicles in the New Brunswick automobile insurance market in 2016, the most recent year for which data is available, is as follows:



Private Passenger

78%



Commercial

7%



ATV

7%



Motorcycle

4%



Snow Vehicles

3%



Farmers/Misc.

1%

Source: GISA 2016 AUTO1010-ATL and Auto 1101 ATL

Territories

The New Brunswick government introduced an eleven territory statistical rating system effective 2008. The revised territories were created based on relevant factors such as traffic patterns and vehicle density, terrain, road conditions, speed limits, crime rates and weather conditions.

The territories are divided based on Forward Sorting Area (FSA) codes, which are the first three characters of a postal code. A list of FSAs by territory is available on the Board's website.

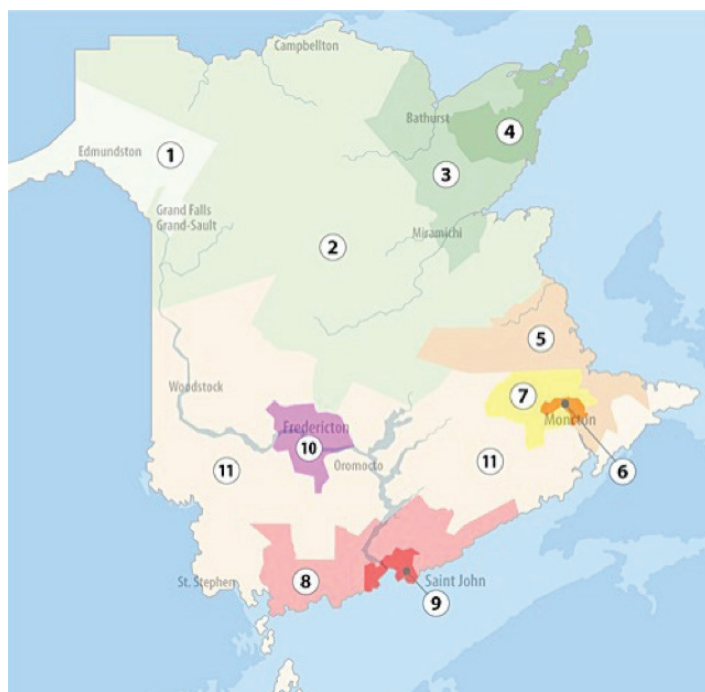
Based on GISA 2016 NB private passenger automobile data, the table below illustrates how vehicle exposures are distributed throughout the eleven statistical territories within the province. The four territories in northern New Brunswick (1-4) represent 31% of vehicle exposures. The seven territories (5-11) within southern New Brunswick represent 69% of vehicle exposures.

Territory

1	5%
2	10%
3	9%
4	7%
5	7%
6	9%
7	8%
8	10%
9	7%
10	12%
11	16%

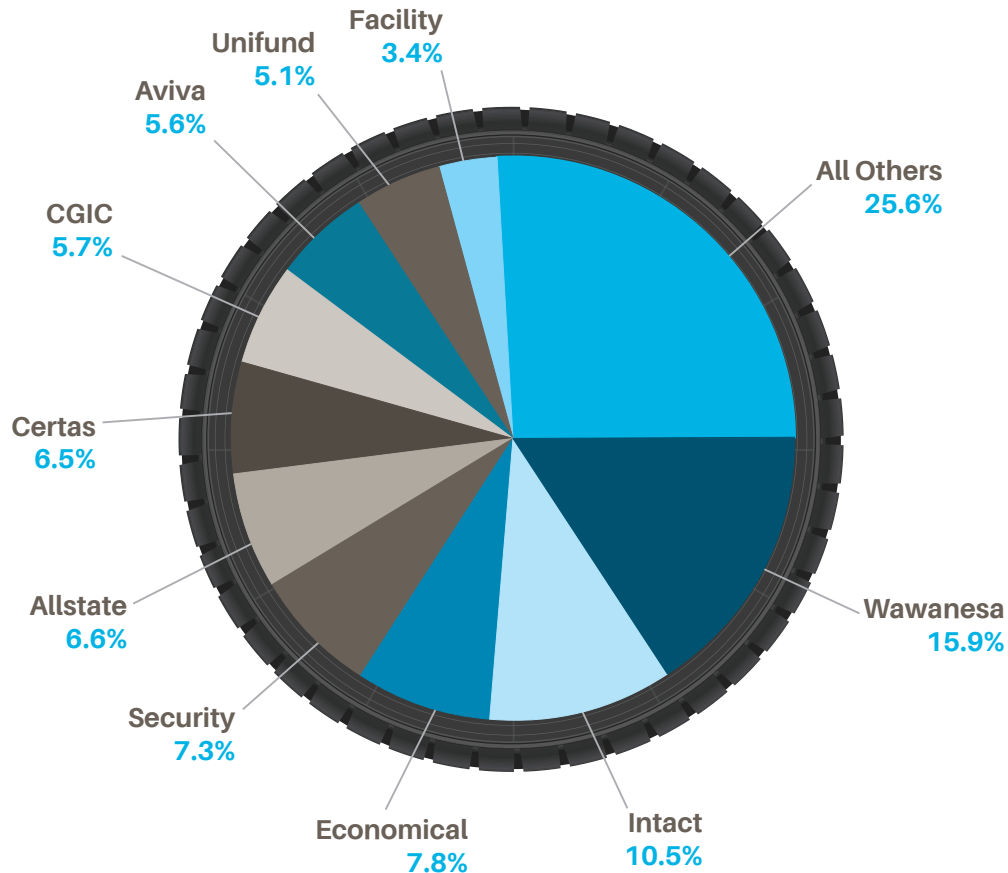
Written Vehicle Distribution

Source: GISA 2016 Auto 3003 NB

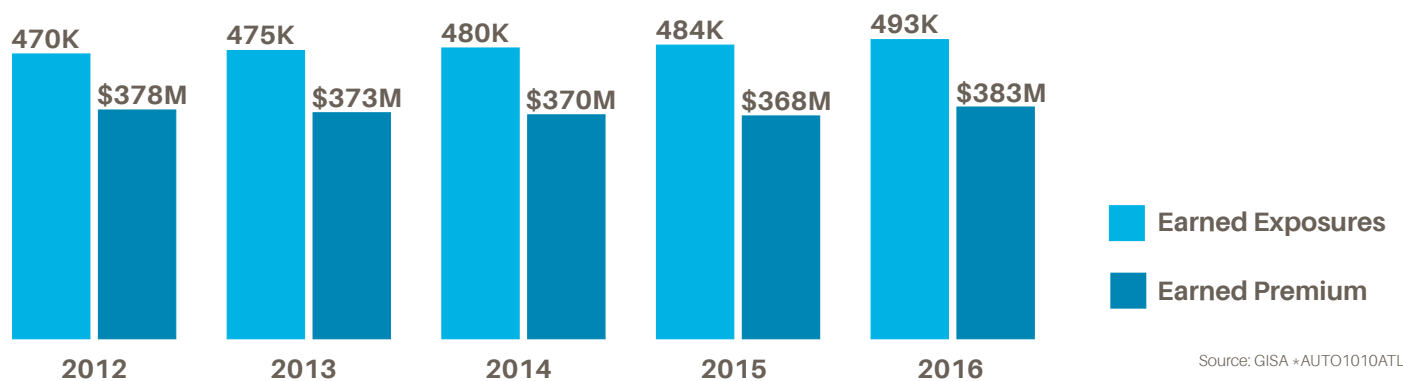


Private Passenger Vehicles

There are 48 insurance companies within the private passenger market in New Brunswick. Based on the information contained within the 2017 rate filings submitted to the NBIB, the standard market share breaks down as follows:



NB Private Passenger Written Vehicles and Premiums 2012-16



In reviewing the data, from 2012 -2015 there has been an increase in the number of vehicles (exposures) insured yet a decrease in the amount of premium collected by the insurance companies (insurers). This was due to the fact that rates were decreasing year over year. There was a change to this pattern in 2016; more vehicles were insured however more premium was also collected by the insurers. The graph above helps illustrate this information.

Insurance Company Groups

Allstate Group

Allstate Insurance Company of Canada
Pembroke Insurance Company
Pafco Insurance Company

Aviva Group

Aviva Insurance Company of Canada
Aviva General Insurance Company
Elite Insurance Company
Scottish & York Insurance Company Limited
S&Y Insurance Company
Traders General Insurance Company

Co-operators Group

Co-operators General Insurance Company
COSECO Insurance Company
CUMIS General Insurance Company
Sovereign General Insurance Company (The)

Desjardins Group

Certas Home and Auto Insurance Company
Personal Insurance Company (The)

Economical Group

Economical Mutual Insurance Company
Sonnet Insurance Company
Waterloo Insurance Company
Perth Insurance Company

Echelon Group

Echelon General Insurance Company
Insurance Company of Prince Edward Island

Intact Group

Intact Insurance Company
Trafalgar Insurance Company of Canada

Northbridge Group

Federated Insurance Company of Canada
Northbridge General Insurance Company
Northbridge Personal Insurance Corporation
Tokio Marine & Nichido Fire Insurance Co., Ltd.
Zenith Insurance Company

Royal and Sun Alliance Group

Royal and Sun Alliance Insurance Company of Canada
Unifund Assurance Company

TD Group

TD Home and Auto Insurance Company
Primum Insurance Company
Security National Insurance Company

Companies That are Not Part of a Group

Ace INA Insurance
AIG Insurance Company of Canada
CAA Insurance Company
Chubb Insurance Company
Dominion of Canada General Insurance Company (The)
Facility Association
Guarantee Company of North America (The)
Liberty Mutual Insurance Company
Lloyds Underwriters
Portage la Prairie Mutual Insurance Company (The)
Promutuel de l'Estuaire
Protective Insurance Company
United General Insurance Corporation
Wawanesa Mutual Insurance Company (The)
XL Insurance Company

Facility Association

The Facility Association (FA) is an unincorporated non-profit organization of all automobile insurance providers operating in several provinces including New Brunswick. Provincial legislation requires all automobile insurers to be a member of FA. Facility Association does not issue insurance policies, but administers the automobile insurance residual market, and works with insurance companies.

FA's mandate is to ensure the availability of auto insurance to all owners and operators of motor vehicles who would otherwise have difficulty obtaining insurance. It is referred to as the "insurer of last resort" for higher risk drivers.

Despite FA being the insurer of last resort and holding only a minor percentage of the market, its impact on New Brunswickers can be very substantial. The Board therefore

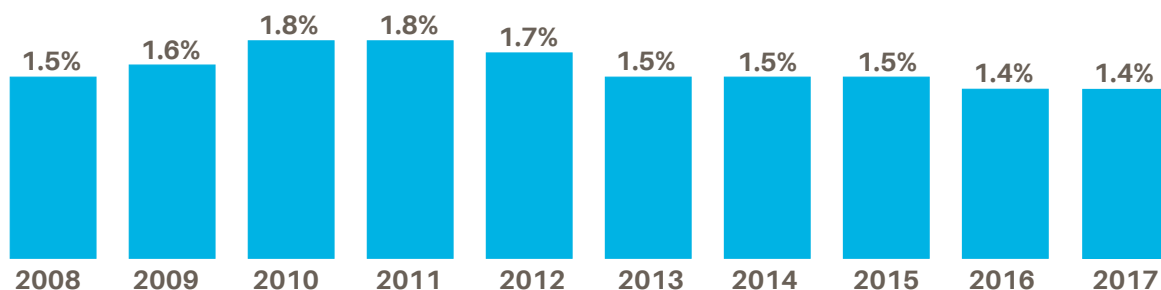
holds FA to account to ensure that consumers falling under FA are not paying more than absolutely necessary.

In 2017, the Board held four (4) hearings involving applications from Facility Association. Below are the class of vehicles on which the Board held hearings for FA :

- Taxis and Limousines
- Commercial Vehicles
- Snow Vehicles
- Private Passenger Vehicles

New Brunswick Private Passenger Vehicles Market Share 2008 to 2017

Residual Market Segment Private Passenger Market Share New Brunswick



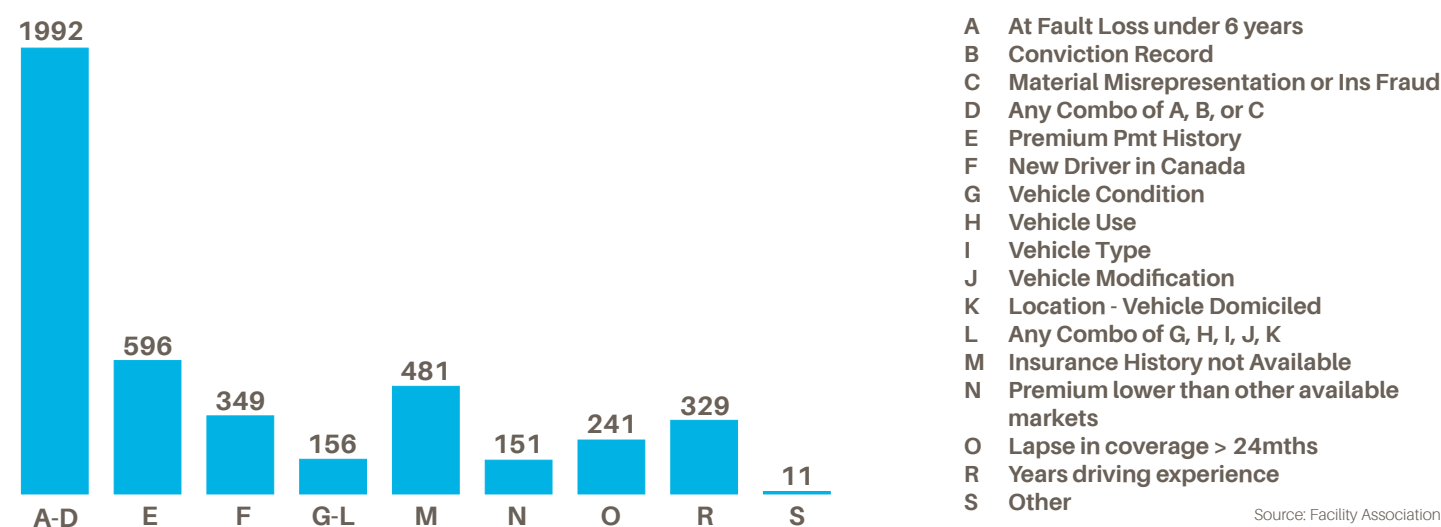
FA hit a peak in 2002 of 4.94%. Over the last ten years, market share for FA has been relatively stable, declining in 2017 to 1.4%. By Canadian standards, a residual market at 2% or less is considered to be an indicator of a very healthy overall insurance market.

Source: www.facilityassociation.com

Reasons for Private Passenger Vehicles Placement in FA in New Brunswick

The NBIB working with FA developed a “Binder Control Report” to help the Board ensure that the vehicles placed in FA are there for the right reasons. Below is the summary for 2017 placements of vehicles into FA. As can be seen below the majority are due to claims, convictions or fraud and misrepresentation.

Reasons for Private Passenger Vehicle Placement in Facility Association



IAO Actuarial Consulting Services Inc.

IAO Actuarial Consulting Services Inc. (IAO) is an advisory organization that develops automobile insurance rates for the insurance industry. As such, IAO does not write any insurance policies, but develops rates for private passenger, commercial, miscellaneous and interurban vehicles. At the request of the Board, those rates are submitted for approval.

Once approved by the NBIB, insurance companies with smaller lines of business or new entrants to the market may adopt the approved IAO rates for their own use. Typically, these smaller companies do not have enough data to develop rates per the Board’s filing guidelines using their own experience.

The number of companies adopting IAO rates is very small. Without IAO offering rates, most smaller insurers would probably not file in New Brunswick as it would be too time consuming and costly to develop rates for use in the Province.

Market Share Adopting IAO – Private Passenger

Companies adopting IAO rates	
ACE INA Insurance	0.000%
Liberty Mutual Insurance	0.000%
Northbridge General Insurance Co	0.015%
Northbridge Personal Ins Corp	0.989%
Sovereign General Insurance Co., The	0.011%
Tokio Marine & Nichido Fire Insurance Co., Ltd.	0.015%
XL Specialty Insurance Company	0.000%
Zenith Insurance Company	0.068%
Percent of Market Adopting IAO Rates	1.098%

Understanding Insurance Rates



Insurance

Insurance means the undertaking by one person to indemnify another person against loss or liability for loss in respect of a certain risk or peril to which the object of the insurance may be exposed, or to pay a sum of money or other thing of value upon the happening of a certain event (*Insurance Act*).

Insurance provides a mechanism in which the losses of the few are shared by the many. Insurance can be viewed as a large pot into which all insureds place their premiums. In addition to paying the cost of running the business, this pot has to provide for payment of the losses of those who have claims. The ability to contribute to a fund – *to share the losses of the few among the many* – is the major function of insurance.

Insurance Premiums

In New Brunswick, rates are used to determine a premium, which is what an individual driver will pay for their insurance coverage. Factors used to determine the premium charged could include driving record, value and type of vehicle, what the vehicle is used for, number of kilometres driven annually, and the territory the driver resides in. Different liability limits and deductibles also have an affect on premium. A higher deductible can reduce premium where a lower deductible will be priced higher. New drivers are entitled to the First Chance Discount. Legislation prohibits ratings based on age, gender and marital status.

The insurance company has to develop a selling price before all costs are known. Rates are developed by the insurer today, for future rates, based on past claims (experience) of the company and/or industry for New Brunswick.

Automobile experience data is collected to provide premium and claim information, which is used to develop and support fair automobile insurance rates. The statistical and financial data collected support the following public policy objectives:

- Monitoring the adequacy of rates to ensure that they are not excessive or unfairly discriminatory;
- Monitoring the adequacy of market structure and performance, and taking steps, if necessary, to restore competition or remedy the problems caused by market instability; and
- Ensuring informed pricing decisions based on aggregate industry experience

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GISA collects data over a long period of time representing as large a sampling of claims data as possible. A company will have an actuary analyze this data to develop the rates required to cover all losses and pay expenses as well as to provide a reasonable profit. The company will also take into consideration the competitive philosophy and current market conditions. An insurer does not want to be priced too low and not have enough premium to cover losses or too high and not be profitable. A company looks at many factors before determining the final rate change that will be presented to the Board for approval.

The Statement of Principles Ratemaking defines ratemaking as "the process of establishing rates used in insurance or other risk transfer mechanisms." (Casualty Actuarial Society, 1988, p.1) The ratemaking process involves numerous considerations including marketing goals and competition as well as legal and regulatory restrictions to the extent that they affect the estimation of future costs associated with the transfer of risk or they affect how the product can be priced. The Statement of Principles Ratemaking sets out four principles for ratemaking.

Principle 1: A rate is an estimate of the expected value of future costs

Principle 2: A rate provides for all costs associated with the transfer of risk

Principle 3: A rate provides for the costs associated with an individual risk transfer

Principle 4: A rate is reasonable and not excessive, inadequate, or unfairly discriminatory if it is an actuarially sound estimate of the expected value of all future costs associated with an individual risk transfer.

(Casualty Actuarial Society, 1988, p. 6)" Society of Actuaries, Fundamentals of General Insurance Actuarial Analysis, 2013, p. 549)

These rates and the assumptions and justification for them are then required to be submitted to the NBIB for review on an annual basis. The Board will determine whether to approve rates as presented by companies or to hold a hearing in order to determine if rates are just and reasonable.

Did you know?

The deductible is the amount you will pay in the event of a claim. Most insurance claims are subject to a deductible. While a higher deductible will decrease your premium, it also results in higher financial risk. Choose your deductible based on your financial ability to assume this amount in the event of a claim. Speak with your insurance representative regarding how your policy deductible would be applied.

The Canadian Loss Experience Automobile Rating system identifies the average size and frequency of insurance claims for most makes and models of cars. Most insurance companies use CLEAR to rate vehicles based on their safety record and the cost to repair or replace them, and then offer lower premiums to drivers who buy cars with better ratings. For example, some vehicles may be more susceptible to theft than others; some may be better designed and less likely to sustain serious damage; some are less expensive to repair; and some protect their occupants in collisions better than others.

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Premium Rating Factors

First Chance Discount:

New Brunswick is the only province that has a regulation for rating of inexperienced drivers (those with less than 6 years of driving experience in New Brunswick or elsewhere in North America). This First Chance Discount will grant the same status to new drivers as those with 6 years clear driving experience, if they have taken an approved driver training course. New drivers will be awarded 3 years of clear driving experience, if they have not taken an approved driver training course. This discount will be restricted to drivers of private passenger vehicles and will not apply to either miscellaneous or commercial vehicles. The discount will remain in-force until the insured has the prerequisite actual number of years of clear driving experience or until the insured has an at-fault accident or is convicted of a driving violation.

Discounts: Most insurance companies offer automobile insurance discounts, though they may vary from company to company. A few examples of possible discounts are:

- If a policyholder has more than one vehicle insured with the same company.
- If a policyholder has both their automobile policy and their property policy insured with the same company.
- If a driver has an anti-theft device installed in their vehicle.
- If a driver is claims free for a number of years.
- If an occasional driver is living away from home while at school.
- If a driver owns a hybrid vehicle.
- If a driver agrees to utilize a usage based insurance (UBI) device.

Surcharges: Being charged with a Minor or Major conviction may subject you to Surcharges.

Minor Convictions: may include but are not limited to speeding, failure to wear a seatbelt, following too closely, failing to yield, improper turn.

Major and Serious Convictions: may include but are not limited to failing to report an accident, failing to give name and licence number in the event of an accident to police or other persons entitled to such information,

improper passing of school buses, improper passing/speeding in school or playground zone, producing false evidence or false statement regarding insurance, driving in contravention of licence conditions (ie restrictions on license), driving without due care and attention, racing, driving without insurance.

Did you know?

As of November 1st 2017, it is illegal for anyone in New Brunswick to drive during the day without headlights or daytime running lights. This violation could result in a fine of \$172.50 and the loss of two demerit points.

These factors **do not** affect car insurance premium:

The colour of your car: Contrary to popular belief, the colour of your car does not affect your premium. You will not be asked the colour in your car insurance application.

Whether your car is foreign or domestic: Premiums are not necessarily higher for foreign cars than domestic ones.

Parking Tickets: Parking tickets do not affect your premium.

Gender, Age and Marital Status: Your gender, age and marital status do not affect the rating of your policy or your insurance premiums.

New Brunswick Auto Insurance Coverages

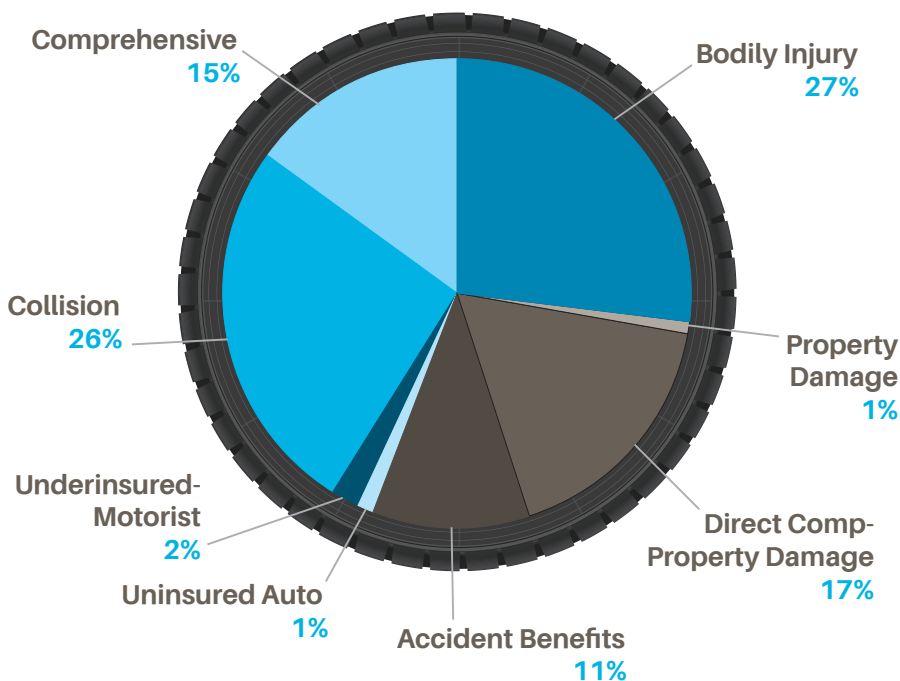
Minimum Required Auto Insurance Coverage in New Brunswick

Section A Coverage	
Compulsory minimum Third-party Liability Coverage	\$200,000 is the minimum required limit offered on any auto policy. The limit of Third Party Liability purchased by the policy holder is the amount available for any one accident involving claims for bodily injury and/or property damage
Section B Coverage	
Accident Benefit Coverage, Medical payments	\$50,000 maximum / person, covers medical expenses necessary for rehabilitation purposes; time limit is four years
Accident Benefit Coverage, Funeral expense benefits	\$2,500
Accident Benefit Coverage, Disability income benefits	80% of gross weekly income up to a maximum of \$250/week if prevented to perform own occupation; lifetime if prevented from doing any occupation for which the insured is reasonably suited by education, training or experience; must be disabled for at least 7 days within the 30 days following the accident to qualify; OR housekeeping services of up to \$100/ week for a maximum of 52 weeks if the insured was a principal unpaid housekeeper
Accident Benefit Coverage, Death benefits:	Death within 180 days (or two years if continuously disabled prior to death); death of head of household \$50,000, plus \$1,000 to each dependent survivor after first; death of spouse/partner \$25,000; death of dependant \$5,000

* The information provided in the above table constitutes a summary of benefits covered and does not describe the full details of the policy. For the complete information on coverage, please refer to the New Brunswick Automobile (Owner's) Policy N.B.P.F. No.1.

Distribution of Premium by Coverage

Source: GISA Auto 1010



Did you know?

According to section 265.2 of the Insurance Act, if you are injured in an accident and were not wearing your seatbelt, your bodily injury claim will automatically be reduced by 25%, unless you are able to establish that the failure to wear your seatbelt did not contribute to your injuries.

Mandatory Coverages

Bodily Injury - Most people don't have the money to pay for the losses they might cause while driving (self insured), so the provincial government requires drivers to carry at least a minimum of \$200,000 third-party liability coverage for any losses they might cause others to suffer. In New Brunswick, the person who is not at fault has the right to sue the at-fault driver in certain circumstances for additional costs and damages not covered by accident benefits coverage.

If you were sued for more than the liability limit in your auto insurance policy, the balance of the settlement would be paid out of your pocket unless you have **underinsured motorist** optional coverage.

Property Damage - covers costs to repair or replace property other than vehicles (i.e. damage caused by your vehicle to a telephone pole, landscaping, a house).

Direct Compensation Property Damage - the DCPD section of the automobile policy covers damages to your vehicle or its contents to the extent that another person operating a vehicle also covered by DCPD is at-fault for the accident. It is called Direct Compensation because the insured collects from their own insurer instead of from the insurance company of the at-fault driver. This saves money and time for policyholders as they are dealing with their own insurance company. The company when setting rates knows in advance what vehicles have the potential to have claims and can price accordingly. Because they already have you in their system, administrative costs can be cut also.

Accident Benefits - pays for medical treatment, income replacement and other benefits to help you recover if you are injured in a collision. This coverage also provides funeral expenses and payments to your survivors if you are killed in a collision. These benefits may also be referred to as "no-fault benefits", which means they are paid to you by your insurer regardless of who caused the collision. This coverage is referred to as "Section B" benefits.

Uninsured Auto - insures you for bodily injury and death as a result of an accident with an uninsured or unidentified vehicle. It also covers loss of use of your vehicle. Coverage responds to the degree of fault of the owner or driver of the uninsured or unidentified auto and a deductible applies.

Optional Coverages

Underinsured Motorist - also known as the SEF 44, pays for injuries to you and your family from the actions of an at-fault underinsured driver. Your insurer will cover your damages up to a maximum of your own third party liability coverage, minus the underinsured driver's third party liability policy coverage (ie. if you are travelling in a province where the mandatory liability coverage is low, this coverage ensures that you and your family are covered up to your own policy's limits regardless of the other person's coverage levels).

Collision - pays for the cost of repairing your car following a collision with another car or an object such as a tree, animal, guardrail or pothole. This coverage is referred to as "Section C" benefits.

Comprehensive - insures against loss or damage to your car resulting from miscellaneous causes including fire, theft, windstorm, hail, rising water, malicious mischief, riot or civil commotion, explosion, earthquake, falling or flying objects, vandalism, missiles, etc. but normally not including loss by collision or upset.

Specified Perils - pays only for losses caused by perils specifically listed in your policy. These perils are; fire, theft or attempted theft, lightning, hail, rising water, earthquake, windstorm, explosion, riot or civil disturbance, the falling or forced landing of aircraft or parts of aircraft, the stranding, sinking, burning, derailment or collision of any kind of transport in, or upon which, a described automobile is being carried on land or water.

All Perils - combines and broadens the protection provided by collision and comprehensive. It is all risks coverage defined by exclusions.

Appendix A - Filings Reviewed in 2017

Filings marked as *Pending* had not been processed by the Board at the time of print. Please note that an Addendum will be published by the Board upon completion of the review of all the 2017 rate applications.

List of Rate Filings, Private Passenger

Insurance Company Name	Filing Class	Approved Rate Change
Allstate Insurance Company of Canada	Private Passenger	Review Pending
Aviva General Insurance Company	Private Passenger	Review Pending
Aviva Insurance Company of Canada	Private Passenger	2.99%
CAA Insurance Company	Private Passenger	2.90%
Certas Home and Auto Insurance Company	Private Passenger	2.94%
Chubb Insurance Company of Canada	Private Passenger	0.75%
Co-operators General Insurance Company	Private Passenger	Review Pending
COSECO Insurance Company	Private Passenger	Review Pending
CUMIS General Insurance Company	Private Passenger	Review Pending
Dominion of Canada General Insurance Company	Private Passenger	0.02%
Echelon General Insurance Company	Private Passenger	2.94%
Economical Mutual Insurance Company	Private Passenger	Review Pending
Elite Insurance Company	Private Passenger	2.90%
Facility Association	Private Passenger	9.80%
Federated Insurance Company of Canada	Private Passenger	Review Pending
IAO Actuarial Consulting Services Inc.	Private Passenger	Review Pending
Insurance Company of Prince Edward Island	Private Passenger	Review Pending
Intact Insurance Company	Private Passenger	6.96%
Liberty Mutual Insurance Company	Private Passenger	0.00%
Northbridge General Insurance Corporation	Private Passenger	Review Pending
Northbridge Personal Insurance Corporation	Private Passenger	Review Pending
Pafco Insurance Company	Private Passenger	2.98%
Pembridge Insurance Company	Private Passenger	Review Pending
Pembridge Insurance Company	Private Passenger	0.00%
Personal Insurance Company	Private Passenger	2.99%
Perth Insurance Company	Private Passenger	0.00%
Portage la Prairie Mutual Insurance Company	Private Passenger	3.00%
Primum Insurance Company	Private Passenger	Review Pending
Promutuel de l'Estuaire	Private Passenger	Review Pending
Royal and Sun Alliance Insurance Company of Canada	Private Passenger	Review Pending
S&Y Insurance Company	Private Passenger	0.00%
Scottish & York Insurance Company Limited	Private Passenger	0.00%
Security National Insurance Company	Private Passenger	Review Pending
Sonnet Insurance Company	Private Passenger	Review Pending
Sovereign General Insurance Company	Private Passenger	Review Pending
TD Home and Auto Insurance Company	Private Passenger	Review Pending
Tokio Marine & Nichido Fire Insurance Co., Ltd.	Private Passenger	Review Pending

List of Rate Filings, Private Passenger

Insurance Company Name	Filing Class	Approved Rate Change
Traders General Insurance Company	Private Passenger	2.94%
Trafalgar Insurance Company of Canada	Private Passenger	5.59%
Unifund Assurance Company	Private Passenger	Review Pending
United General Insurance Corporation	Private Passenger	2.96%
Wawanesa Mutual Insurance Company	Private Passenger	6.96%
XL Specialty Insurance Company	Private Passenger	Review Pending
Zenith Insurance Company	Private Passenger	Review Pending

List of Rate Filings, Commercial and Interurban

Insurance Company Name	Filing Name	Approved Rate Change
AIG Insurance Company of Canada	Commercial	0.00%
AIG Insurance Company of Canada	Interurban	0.00%
Aviva Insurance Company of Canada	Commercial	0.00%
Aviva Insurance Company of Canada	Interurban	0.00%
Certas Home and Auto Insurance Company	Commercial	0.00%
Chubb Insurance Company of Canada	Commercial	1.55%
Chubb Insurance Company of Canada	Interurban	0.92%
Co-operators General Insurance Company	Commercial	1.13%
Dominion of Canada General Insurance Company	Commercial	2.98%
Dominion of Canada General Insurance Company	Interurban	-0.02%
Echelon General Insurance Company	Commercial	0.00%
Echelon General Insurance Company	Interurban	0.00%
Economical Mutual Insurance Company	Comm & Int COMBINED	Review Pending
Economical Mutual Insurance Company	Comm & Int COMBINED	0.00%
Facility Association	Commercial	2.90%
Facility Association	Interurban	0.00%
Federated Insurance Company of Canada	Comm & Int COMBINED	0.51%
Federated Insurance Company of Canada	Commercial	0.94%
Federated Insurance Company of Canada	Interurban	0.00%
Guarantee Company of North America	Comm & Int COMBINED	0.00%
Insurance Company of Prince Edward Island	Commercial	0.00%
Insurance Company of Prince Edward Island	Interurban	0.00%
Intact Insurance Company	Commercial	0.00%
Intact Insurance Company	Interurban	1.63%
Liberty Mutual Insurance Company	Commercial	1.55%
Liberty Mutual Insurance Company	Interurban	0.92%
Northbridge General Insurance Corporation	Comm & Int COMBINED	0.23%
Northbridge Personal Insurance Corporation	Comm & Int COMBINED	0.23%
Portage la Prairie Mutual Insurance Company	Commercial	Review Pending
Promutuel de l'Estuaire	Commercial	-4.60%
Protective Insurance Company	Commercial	1.55%
Protective Insurance Company	Interurban	0.92%
Royal and Sun Alliance Insurance Company of Canada	Commercial	0.00%

List of Rate Filings, Commercial and Interurban

Insurance Company Name	Filing Name	Approved Rate Change
Royal and Sun Alliance Insurance Company of Canada	Interurban	0.00%
Tokio Marine & Nichido Fire Insurance Co., Ltd.	Comm & Int COMBINED	14.48%
United General Insurance Corporation	Commercial	-2.83%
Wawanesa Mutual Insurance Company	Commercial	Review Pending
Wawanesa Mutual Insurance Company	Commercial	0.00%
XL Specialty Insurance Company	Comm & Int COMBINED	0.00%

List of Rate Filings, Miscellaneous

Insurance Company Name	Filing Class	Approved Rate Change
AIG Insurance Company of Canada	Ambulances	0.00%
AIG Insurance Company of Canada	Private Buses	0.00%
AIG Insurance Company of Canada	Public Buses	0.00%
AIG Insurance Company of Canada	School Buses	0.00%
Allstate Insurance Company of Canada	All Terrain Vehicle	0.60%
Allstate Insurance Company of Canada	Camper Trailers	0.00%
Allstate Insurance Company of Canada	Motorcycles	Review Pending
Allstate Insurance Company of Canada	Motorhomes	2.95%
Allstate Insurance Company of Canada	Snow Vehicles	0.83%
Aviva General Insurance Company	All Terrain Vehicle	0.00%
Aviva General Insurance Company	Camper Trailers	0.00%
Aviva General Insurance Company	Motorcycles	0.00%
Aviva General Insurance Company	Motorhomes	0.00%
Aviva General Insurance Company	Snow Vehicles	0.00%
Aviva Insurance Company of Canada	All Terrain Vehicle	0.00%
Aviva Insurance Company of Canada	Ambulances	0.00%
Aviva Insurance Company of Canada	Camper Trailers	0.00%
Aviva Insurance Company of Canada	Motorcycles	0.00%
Aviva Insurance Company of Canada	Motorhomes	0.00%
Aviva Insurance Company of Canada	Private Buses	0.00%
Aviva Insurance Company of Canada	Public Buses	0.00%
Aviva Insurance Company of Canada	School Buses	0.00%
Aviva Insurance Company of Canada	Snow Vehicles	0.00%
Aviva Insurance Company of Canada	Taxi	0.00%
CAA Insurance Company	All Terrain Vehicle	0.00%
CAA Insurance Company	Camper Trailers	-5.91%
CAA Insurance Company	Motorhomes	-8.92%
Certas Home and Auto Insurance Company	All Terrain Vehicle	0.00%
Certas Home and Auto Insurance Company	Camper Trailers	0.00%
Certas Home and Auto Insurance Company	Motorcycles	0.00%
Certas Home and Auto Insurance Company	Motorcycles	0.00%
Certas Home and Auto Insurance Company	Motorhomes	0.00%
Certas Home and Auto Insurance Company	Snow Vehicles	0.00%
Co-operators General Insurance Company	All Terrain Vehicle	0.00%
Co-operators General Insurance Company	Antique & Classic Vehicles	0.00%
Co-operators General Insurance Company	Camper Trailers	0.00%
Co-operators General Insurance Company	Motorcycles	-1.19%

List of Rate Filings, Miscellaneous

Insurance Company Name	Filing Class	Approved Rate Change
Co-operators General Insurance Company	Motorcycles	0.00%
Co-operators General Insurance Company	Motorcycles	0.00%
Co-operators General Insurance Company	Motorhomes	0.00%
Co-operators General Insurance Company	Private Buses	0.00%
Co-operators General Insurance Company	School Buses	0.00%
Co-operators General Insurance Company	Snow Vehicles	-0.52%
COSECO Insurance Company	All Terrain Vehicle	-3.40%
COSECO Insurance Company	Camper Trailers	0.00%
COSECO Insurance Company	Motorcycles	0.17%
COSECO Insurance Company	Motorcycles	0.00%
COSECO Insurance Company	Motorcycles	0.00%
COSECO Insurance Company	Motorhomes	0.00%
COSECO Insurance Company	Snow Vehicles	0.00%
CUMIS General Insurance Company	All Terrain Vehicle	-3.80%
CUMIS General Insurance Company	Camper Trailers	0.00%
CUMIS General Insurance Company	Motorcycles	-7.39%
CUMIS General Insurance Company	Motorcycles	0.00%
CUMIS General Insurance Company	Motorcycles	0.00%
CUMIS General Insurance Company	Motorhomes	0.00%
CUMIS General Insurance Company	Snow Vehicles	0.00%
Dominion of Canada General Insurance Company	All Buses	-0.79%
Dominion of Canada General Insurance Company	All Other Public	5.28%
Dominion of Canada General Insurance Company	All Terrain Vehicle	-0.25%
Dominion of Canada General Insurance Company	Ambulances	0.00%
Dominion of Canada General Insurance Company	Antique & Classic Vehicles	0.71%
Dominion of Canada General Insurance Company	Camper Trailers	-15.61%
Dominion of Canada General Insurance Company	Motorcycles	0.85%
Dominion of Canada General Insurance Company	Motorhomes	25.68%
Dominion of Canada General Insurance Company	Snow Vehicles	-2.26%
Dominion of Canada General Insurance Company	Taxi	0.00%
Economical Mutual Insurance Company	All Terrain Vehicle	Review Pending
Economical Mutual Insurance Company	All Terrain Vehicle	0.00%
Economical Mutual Insurance Company	Antique & Classic Vehicles	0.00%
Economical Mutual Insurance Company	Camper Trailers	Review Pending
Economical Mutual Insurance Company	Camper Trailers	0.00%
Economical Mutual Insurance Company	Motorcycles	Review Pending
Economical Mutual Insurance Company	Motorcycles	0.00%
Economical Mutual Insurance Company	Motorhomes	Review Pending
Economical Mutual Insurance Company	Motorhomes	0.00%
Economical Mutual Insurance Company	Private Buses	0.00%
Economical Mutual Insurance Company	Snow Vehicles	Review Pending
Economical Mutual Insurance Company	Snow Vehicles	0.00%
Elite Insurance Company	Antique & Classic Vehicles	0.00%
Elite Insurance Company	Camper Trailers	0.00%
Elite Insurance Company	Motorcycles	0.00%
Elite Insurance Company	Motorhomes	Review Pending
Facility Association	All Other Public	0.00%

List of Rate Filings, Miscellaneous

Insurance Company Name	Filing Class	Approved Rate Change
Facility Association	All Other Public	0.00%
Facility Association	All Terrain Vehicle	0.00%
Facility Association	Ambulances	0.00%
Facility Association	Antique & Classic Vehicles	0.00%
Facility Association	Camper Trailers	0.00%
Facility Association	Motorcycles	0.00%
Facility Association	Motorhomes	0.00%
Facility Association	Private Buses	0.00%
Facility Association	Public Buses	0.00%
Facility Association	School Buses	0.00%
Facility Association	Snow Vehicles	2.90%
Facility Association	Taxi	2.90%
Federated Insurance Company of Canada	All Terrain Vehicle	-20.17%
Federated Insurance Company of Canada	Antique & Classic Vehicles	0.00%
Federated Insurance Company of Canada	Camper Trailers	0.00%
Federated Insurance Company of Canada	Motorcycles	-7.07%
Federated Insurance Company of Canada	Motorhomes	0.00%
Federated Insurance Company of Canada	Snow Vehicles	-12.65%
Guarantee Company of North America	Ambulances	0.00%
Guarantee Company of North America	Private Buses	0.00%
Guarantee Company of North America	Public Buses	0.00%
Guarantee Company of North America	School Buses	0.00%
IAO Actuarial Consulting Services Inc.	All Terrain Vehicle	Review Pending
IAO Actuarial Consulting Services Inc.	Motorcycles	Review Pending
IAO Actuarial Consulting Services Inc.	Motorhomes	Review Pending
IAO Actuarial Consulting Services Inc.	Snow Vehicles	Review Pending
Insurance Company of Prince Edward Island	All Terrain Vehicle	0.00%
Insurance Company of Prince Edward Island	Antique & Classic Vehicles	0.00%
Insurance Company of Prince Edward Island	Camper Trailers	0.00%
Insurance Company of Prince Edward Island	Motorcycles	0.00%
Insurance Company of Prince Edward Island	Motorhomes	0.00%
Insurance Company of Prince Edward Island	Snow Vehicles	0.00%
Intact Insurance Company	All Buses	-3.16%
Intact Insurance Company	All Terrain Vehicle	0.00%
Intact Insurance Company	Ambulances	12.00%
Intact Insurance Company	Antique & Classic Vehicles	0.00%
Intact Insurance Company	Camper Trailers	0.00%
Intact Insurance Company	Motorcycles	0.00%
Intact Insurance Company	Motorhomes	0.00%
Intact Insurance Company	Snow Vehicles	0.00%
Intact Insurance Company	Taxi	-9.48%
Liberty Mutual Insurance Company	All Terrain Vehicle	-6.64%
Lloyds Underwriters	All Terrain Vehicle	0.00%
Lloyds Underwriters	Motorcycles	0.00%
Lloyds Underwriters	Snow Vehicles	0.00%
Northbridge General Insurance Corporation	All Terrain Vehicle	-34.18%
Northbridge General Insurance Corporation	Ambulances	0.00%

List of Rate Filings, Miscellaneous

Insurance Company Name	Filing Class	Approved Rate Change
Northbridge General Insurance Corporation	Antique & Classic Vehicles	0.00%
Northbridge General Insurance Corporation	Camper Trailers	0.00%
Northbridge General Insurance Corporation	Motorcycles	-12.06%
Northbridge General Insurance Corporation	Motorhomes	0.00%
Northbridge General Insurance Corporation	Private Buses	0.00%
Northbridge General Insurance Corporation	Public Buses	0.00%
Northbridge General Insurance Corporation	School Buses	0.00%
Northbridge General Insurance Corporation	Snow Vehicles	-36.97%
Northbridge General Insurance Corporation	Taxi	0.00%
Northbridge Personal Insurance Corporation	All Terrain Vehicle	-46.51%
Northbridge Personal Insurance Corporation	Ambulances	0.00%
Northbridge Personal Insurance Corporation	Antique & Classic Vehicles	0.00%
Northbridge Personal Insurance Corporation	Camper Trailers	0.00%
Northbridge Personal Insurance Corporation	Motorcycles	-19.12%
Northbridge Personal Insurance Corporation	Motorhomes	0.00%
Northbridge Personal Insurance Corporation	Private Buses	0.00%
Northbridge Personal Insurance Corporation	Public Buses	0.00%
Northbridge Personal Insurance Corporation	School Buses	0.00%
Northbridge Personal Insurance Corporation	Snow Vehicles	-60.67%
Northbridge Personal Insurance Corporation	Taxi	0.00%
Pembridge Insurance Company	All Terrain Vehicle	0.00%
Pembridge Insurance Company	Camper Trailers	0.00%
Pembridge Insurance Company	Motorcycles	Review Pending
Pembridge Insurance Company	Motorhomes	0.00%
Pembridge Insurance Company	Snow Vehicles	2.50%
Personal Insurance Company	All Terrain Vehicle	0.00%
Personal Insurance Company	Camper Trailers	0.00%
Personal Insurance Company	Motorcycles	0.00%
Personal Insurance Company	Motorcycles	0.00%
Personal Insurance Company	Motorhomes	0.00%
Personal Insurance Company	Snow Vehicles	0.00%
Portage la Prairie Mutual Insurance Company	All Terrain Vehicle	0.00%
Portage la Prairie Mutual Insurance Company	Camper Trailers	0.00%
Portage la Prairie Mutual Insurance Company	Motorcycles	0.00%
Portage la Prairie Mutual Insurance Company	Motorhomes	0.00%
Portage la Prairie Mutual Insurance Company	Snow Vehicles	0.00%
Primmum Insurance Company	All Terrain Vehicle	0.00%
Primmum Insurance Company	Camper Trailers	0.00%
Primmum Insurance Company	Motorcycles	0.00%
Primmum Insurance Company	Motorhomes	0.00%
Primmum Insurance Company	Snow Vehicles	0.00%
Promutuel de l'Estuaire	All Terrain Vehicle	0.00%
Promutuel de l'Estuaire	Camper Trailers	0.00%
Promutuel de l'Estuaire	Motorcycles	0.00%
Promutuel de l'Estuaire	Snow Vehicles	0.00%
Royal and Sun Alliance Insurance Company of Canada	All Buses	0.00%
Royal and Sun Alliance Insurance Company of Canada	All Terrain Vehicle	0.00%

List of Rate Filings, Miscellaneous

Insurance Company Name	Filing Class	Approved Rate Change
Royal and Sun Alliance Insurance Company of Canada	Ambulances	0.00%
Royal and Sun Alliance Insurance Company of Canada	Antique & Classic Vehicles	0.00%
Royal and Sun Alliance Insurance Company of Canada	Camper Trailers	0.00%
Royal and Sun Alliance Insurance Company of Canada	Motorcycles	0.00%
Royal and Sun Alliance Insurance Company of Canada	Motorhomes	0.00%
Royal and Sun Alliance Insurance Company of Canada	Snow Vehicles	0.00%
Royal and Sun Alliance Insurance Company of Canada	Taxi	0.00%
Scottish & York Insurance Company Limited	All Terrain Vehicle	0.00%
Scottish & York Insurance Company Limited	Camper Trailers	0.00%
Scottish & York Insurance Company Limited	Motorcycles	0.00%
Scottish & York Insurance Company Limited	Motorhomes	0.00%
Scottish & York Insurance Company Limited	Snow Vehicles	0.00%
Security National Insurance Company	All Terrain Vehicle	0.00%
Security National Insurance Company	Camper Trailers	0.00%
Security National Insurance Company	Motorcycles	0.00%
Security National Insurance Company	Motorhomes	0.00%
Security National Insurance Company	Snow Vehicles	0.00%
Sovereign General Insurance Company	All Other Public	0.00%
Sovereign General Insurance Company	All Terrain Vehicle	-35.59%
Sovereign General Insurance Company	Ambulances	0.00%
Sovereign General Insurance Company	Camper Trailers	0.00%
Sovereign General Insurance Company	Motorhomes	0.00%
Sovereign General Insurance Company	Private Buses	0.00%
Sovereign General Insurance Company	Public Buses	0.00%
Sovereign General Insurance Company	School Buses	0.00%
Sovereign General Insurance Company	Snow Vehicles	-53.83%
TD Home and Auto Insurance Company	All Terrain Vehicle	0.00%
TD Home and Auto Insurance Company	Camper Trailers	0.00%
TD Home and Auto Insurance Company	Motorcycles	0.00%
TD Home and Auto Insurance Company	Motorhomes	0.00%
TD Home and Auto Insurance Company	Snow Vehicles	0.00%
Tokio Marine & Nichido Fire Insurance Co., Ltd.	All Terrain Vehicle	-34.18%
Tokio Marine & Nichido Fire Insurance Co., Ltd.	Ambulances	0.00%
Tokio Marine & Nichido Fire Insurance Co., Ltd.	Antique & Classic Vehicles	0.00%
Tokio Marine & Nichido Fire Insurance Co., Ltd.	Camper Trailers	0.00%
Tokio Marine & Nichido Fire Insurance Co., Ltd.	Motorcycles	-12.06%
Tokio Marine & Nichido Fire Insurance Co., Ltd.	Motorhomes	0.00%
Tokio Marine & Nichido Fire Insurance Co., Ltd.	Private Buses	0.00%
Tokio Marine & Nichido Fire Insurance Co., Ltd.	Public Buses	0.00%
Tokio Marine & Nichido Fire Insurance Co., Ltd.	School Buses	0.00%
Tokio Marine & Nichido Fire Insurance Co., Ltd.	Snow Vehicles	-36.97%
Tokio Marine & Nichido Fire Insurance Co., Ltd.	Taxi	0.00%
Traders General Insurance Company	All Terrain Vehicle	0.00%
Traders General Insurance Company	Camper Trailers	0.00%
Traders General Insurance Company	Motorcycles	0.00%
Traders General Insurance Company	Motorhomes	0.00%
Traders General Insurance Company	Snow Vehicles	0.00%

List of Rate Filings, Miscellaneous

Insurance Company Name	Filing Class	Approved Rate Change
Trafalgar Insurance Company of Canada	All Terrain Vehicle	0.00%
Trafalgar Insurance Company of Canada	Antique & Classic Vehicles	0.00%
Trafalgar Insurance Company of Canada	Camper Trailers	0.00%
Trafalgar Insurance Company of Canada	Motorcycles	0.00%
Trafalgar Insurance Company of Canada	Motorhomes, Campers, Trailers	0.00%
Trafalgar Insurance Company of Canada	Snow Vehicles	0.00%
Unifund Assurance Company	All Terrain Vehicle	0.00%
Unifund Assurance Company	Camper Trailers	0.00%
Unifund Assurance Company	Motorcycles	0.00%
Unifund Assurance Company	Motorhomes	0.00%
Unifund Assurance Company	Snow Vehicles	0.00%
United General Insurance Corporation	All Terrain Vehicle	0.00%
United General Insurance Corporation	Motorcycles	0.00%
United General Insurance Corporation	Snow Vehicles	0.00%
Waterloo Insurance Company	All Terrain Vehicle	0.00%
Waterloo Insurance Company	Antique & Classic Vehicles	0.00%
Waterloo Insurance Company	Camper Trailers	0.00%
Waterloo Insurance Company	Motorcycles	0.00%
Waterloo Insurance Company	Motorhomes	0.00%
Waterloo Insurance Company	Snow Vehicles	0.00%
Wawanesa Mutual Insurance Company	All Terrain Vehicle	Review Pending
Wawanesa Mutual Insurance Company	All Terrain Vehicle	0.00%
Wawanesa Mutual Insurance Company	Camper Trailers	Review Pending
Wawanesa Mutual Insurance Company	Camper Trailers	0.00%
Wawanesa Mutual Insurance Company	Motorcycles	Review Pending
Wawanesa Mutual Insurance Company	Motorcycles	0.00%
Wawanesa Mutual Insurance Company	Snow Vehicles	Review Pending
Wawanesa Mutual Insurance Company	Snow Vehicles	0.00%
XL Specialty Insurance Company	All Terrain Vehicle	0.00%
XL Specialty Insurance Company	Ambulances	0.00%
XL Specialty Insurance Company	Motorcycles	0.00%
XL Specialty Insurance Company	Motorhomes, Campers, Trailers	0.00%
XL Specialty Insurance Company	Private Buses	0.00%
XL Specialty Insurance Company	Public Buses	0.00%
XL Specialty Insurance Company	School Buses	0.00%
XL Specialty Insurance Company	Snow Vehicles	0.00%
XL Specialty Insurance Company	Taxi	0.00%
Zenith Insurance Company	All Terrain Vehicle	-31.21%
Zenith Insurance Company	Antique & Classic Vehicles	0.00%
Zenith Insurance Company	Camper Trailers	0.00%
Zenith Insurance Company	Motorcycles	-7.72%
Zenith Insurance Company	Motorhomes	0.00%
Zenith Insurance Company	Snow Vehicles	0.00%

List of Non-Rate Filings

Insurance Company Name	Filing Class
Allstate Insurance Company of Canada	All Incl PPV
Allstate Insurance Company of Canada	Private Passenger
Aviva Insurance Company of Canada	Commercial
Aviva Insurance Company of Canada	Interurban
CAA Insurance Company	Private Passenger
Economical Mutual Insurance Company	Private Passenger
Elite Insurance Company	Motorcycles
Guarantee Company of North America	Comm & Int COMBINED
Insurance Company of Prince Edward Island	Comm & Int COMBINED
Insurance Company of Prince Edward Island	Private Passenger
Intact Insurance Company	Comm & Int COMBINED
Intact Insurance Company	Private Passenger
Pafco Insurance Company	Private Passenger
Pembridge Insurance Company	Private Passenger
Perth Insurance Company	Private Passenger
Primum Insurance Company	Private Passenger
Royal and Sun Alliance Insurance Company of Canada	Commercial
Royal and Sun Alliance Insurance Company of Canada	Interurban
Security National Insurance Company	Private Passenger
Sonnet Insurance Company	Private Passenger
TD Home and Auto Insurance Company	Private Passenger
Trafalgar Insurance Company of Canada	Private Passenger
Waterloo Insurance Company	Private Passenger
Wawanesa Mutual Insurance Company	Commercial
Wawanesa Mutual Insurance Company	Private Passenger

Appendix B

Audited Financial Statements



Financial Statements Of

New Brunswick Insurance Board

March 31, 2017

Peter G. Gaulton
Chartered Professional Accountant

New Brunswick Insurance Board

Financial Statements

For the year ended March 31, 2017

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INDEPENDENT AUDITOR'S REPORT

To the Chairperson and Members of the New Brunswick Insurance Board:

I have audited the accompanying financial statements of the New Brunswick Insurance Board, which comprise the statement of financial position as at March 31, 2017, and the statements of operations and accumulated surplus, change in net financial assets (liabilities) and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the New Brunswick Insurance Board as at March 31, 2017, and results of its operations and the changes in its financial position and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

July 5, 2017
Saint John, NB



Chartered Professional Accountant

New Brunswick Insurance Board

Statement of Financial Position


As at March 31, 2017

	2017	2016
Financial Assets		
Current:		
Cash in bank	\$ 2,154,225	\$ 2,045,478
Accounts receivable	9,879	4,656
Harmonized sales tax recoverable	45,100	19,744
	<u>2,209,204</u>	<u>2,069,878</u>
Liabilities		
Current:		
Accounts payable and accrued liabilities	303,905	149,994
Employee deductions payable	33,246	20,286
Deferred assessments (note 6)	1,922,353	1,957,020
	<u>2,259,504</u>	<u>2,127,300</u>
Net Financial Assets (Liabilities)	<u>(50,300)</u>	<u>(57,422)</u>
Non-Financial Assets		
Tangible capital assets (note 3)	685,646	663,988
Less: accumulated amortization	(647,290)	(617,981)
	<u>38,356</u>	<u>46,007</u>
Prepaid expenses	11,944	11,415
	<u>50,300</u>	<u>57,422</u>
Accumulated Surplus	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to financial statements

Approved by the Board:

 Chairperson

 Vice-Chairperson

New Brunswick Insurance Board

Statement of Operations and Accumulated Surplus

For the year ended March 31, 2017

	2017 Budget	2017 Actual	2016 Actual
Receipts			
Assessments	\$ 1,701,089	\$ 1,716,846	\$ 1,669,624
Interest	10,000	11,866	5,450
Other	500	1,654	180
	1,711,589	1,730,366	1,675,254
Operating disbursements			
Wages, benefits and other employee costs	776,886	686,478	839,620
Interest and bank charges	2,000	1,618	2,017
Uncollectible assessments	-	-	70
Rent	116,643	120,809	128,654
Amortization expense	60,000	29,310	27,148
Office expenses	15,000	16,654	20,688
Audit and accounting	15,000	14,441	14,334
Consulting services	-	75	-
Training and education	57,000	32,952	32,879
Telecommunications	18,000	20,727	20,622
Equipment leases	2,060	2,146	1,696
Communications and community support	27,500	5,074	11,722
Meetings and conferences	20,000	8,981	9,466
Insurance	1,500	1,677	1,442
	1,111,589	940,942	1,110,358
Regulatory disbursements			
Board compensation	105,000	113,073	103,479
Board member training & education	40,000	15,039	23,120
Board member meetings & conferences	10,000	5,675	2,103
Travel	10,000	6,093	6,785
Actuarial services	300,000	431,430	335,419
Consulting services	45,000	135,895	34,300
Hearing expenses	15,000	11,513	10,597
Translation and transcription	25,000	9,650	5,897
Legal	50,000	61,056	43,196
	600,000	789,424	564,896
Annual surplus	NIL	NIL	NIL
Accumulated surplus, beginning of year	NIL	NIL	NIL
Accumulated surplus, end of year	\$ NIL	\$ NIL	\$ NIL

See accompanying notes to financial statements

New Brunswick Insurance Board

Statement of Change in Net Financial Assets (Liabilities)

For the year ended March 31, 2017

	2017	2016
Annual surplus	\$ NIL	\$ NIL
Purchase of tangible capital assets	(21,659)	(14,394)
Amortization of tangible capital assets	29,310	27,148
	7,651	12,754
(Increase) decrease in prepaid expenses	(529)	(5,030)
Increase (decrease) in net financial assets	7,122	7,724
Net financial assets, beginning of year	(57,422)	(65,146)
Net financial assets, end of year	\$ (50,300)	\$ (57,422)

New Brunswick Insurance Board

Statement of Cash Flows

For the year ended March 31, 2017

	2017	2016
Cash provided by (used in):		
Operations		
Annual surplus	\$ NIL	\$ NIL
Items not involving an outlay of cash:		
Amortization expense	29,310	27,148
	29,310	27,148
Decrease (increase) in accounts receivable	(5,224)	497,336
Decrease (increase) in HST recoverable	(25,354)	148,959
Decrease (increase) in prepaid expenses	(529)	(5,030)
Increase (decrease) in accounts payable	153,911	59,157
Increase (decrease) in employee deductions payable	12,960	(625)
Increase (decrease) in deferred revenue	(34,668)	12,549
	130,406	739,494
Investing		
Purchase of tangible capital assets	(21,659)	(14,394)
Increase (decrease) in cash	108,747	725,100
Cash, beginning of year	2,045,478	1,320,378
Cash, end of year	\$ 2,154,225	\$ 2,045,478

See accompanying notes to financial statements

New Brunswick Insurance Board

Notes to Financial Statements

For the year ended March 31, 2017

1. Purpose of the organization

Effective October 15, 2004, the New Brunswick Insurance Board (NBIB) commenced regulatory responsibility for automobile insurers in New Brunswick. NBIB operations began October 1, 2004.

The NBIB is exempt from income tax under Section 149(1)(d) of the Canadian Income Tax Act and recovers 100% of the harmonized sales tax (HST) paid. HST is not collected on assessments to the insurance companies.

2. Significant accounting policies

(a) Basis of presentation:

The financial statements were prepared in accordance with Canadian Public Sector Accounting Standards ("PSAS").

(b) Asset classification:

Assets are classified as either financial or non-financial. Financial assets are assets that could be used to discharge existing liabilities or finance future operations and are not being consumed in the normal course of operations. Non-financial assets are acquired, constructed or developed assets that do not provide resources to discharge existing liabilities but are employed to deliver services, may be consumed in normal operations and are not for resale.

(c) Method of accounting:

The NBIB follows the deferral method of accounting for receipts. Restricted receipts are recognized as revenue in the year in which the related expenses are incurred. Unrestricted receipts are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. (see note 6)

(d) Tangible capital assets:

Tangible capital assets are recorded at cost. Amortization is calculated on a straight-line basis over 5 years on all assets acquired prior to April 1, 2012 except for equipment under capital lease. Computer equipment acquired subsequent to March 31, 2012 is amortized on a straight line basis over 3 years. The NBIB determined that this would better reflect the useful lives of the computer equipment being amortized. Vehicles acquired subsequent to March 31, 2013 are amortized on a straight line basis over 4 years. The NBIB determined that this would better reflect the useful lives of the vehicles being amortized.

(e) Measurement uncertainty:

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. These estimates are reviewed periodically, and as adjustments become necessary, they are reported in earnings in the period in which they become known.

(f) Fair value of financial instruments:

The NBIB initially measures its financial assets and financial liabilities at fair value. It subsequently measures all its financial assets and financial liabilities at amortized cost.

The financial assets subsequently measured at amortized cost include cash and accounts receivable. The financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

New Brunswick Insurance Board

Notes to Financial Statements

For the year ended March 31, 2017

3. Tangible capital assets

		2017		2016
	Cost	Accumulated Amortization	Net book Value	Net book Value
Computer equipment	\$ 217,269	\$ 199,307	\$ 17,962	\$ 8,749
Computer software	124,350	120,123	4,227	6,627
Systems software	183,190	183,190	-	-
Vehicle	25,299	19,024	6,275	12,649
Leasehold improvements	28,351	23,816	4,535	9,361
Furniture and fixtures	107,187	101,830	5,357	8,621
	\$ 685,646	\$ 647,290	\$ 38,356	\$ 46,007

4. Future employee benefits

Pension Plan:

The employees of the NBIB participate in the Province of New Brunswick Public Service Shared Risk Plan (PSSRP) that became effective January 1, 2014. The plan is administered by the Province of New Brunswick through a Board of Trustees. The NBIB is required to make the following contributions to the PSSRP:

From April 1, 2014 to December 31, 2018: 12.5% of an employee's eligible earnings

From January 1, 2019 to December 31, 2023: 12.0% of an employee's eligible earnings

From January 1, 2024 to December 31, 2028: 11.25% of an employee's eligible earnings

Effective January 1, 2029: employer and employee contribution rates will be re-determined and will become equal

The NBIB's financial participation in the plan is limited to the annual amounts contributed based on the preceding percentages.

For the year ending March 31, 2016, the NBIB's pension contributions amounted to \$71,778 (2016: \$82,870).

5. Commitments

The NBIB renegotiated an operating lease of its office premises for a period of 6 years commencing January 1, 2010. In 2015, the NBIB renegotiated the lease and extended the term for an additional period of 5 years. The minimum annual payments under the lease terms are as follows:

April 1, 2015 - December 31, 2020: \$ 116,643

The NBIB negotiated an operating lease for a new photocopier in December, 2014. The minimum annual payments under the lease terms are as follows:

April 1, 2017 - March 31, 2018: \$ 2,042
 April 1, 2018 - March 31, 2019: \$ 2,042
 April 1, 2019 - March 31, 2020: \$ 2,042

New Brunswick Insurance Board

Notes to Financial Statements

For the year ended March 31, 2017

6. Deferred assessments and capital management

The NBIB's expenses are funded 100% by the companies selling automobile insurance in the Province of New Brunswick. Annually, in advance of the coming fiscal year, the NBIB prepares an expense budget and assesses each company based on its proportion of the automobile premiums written in the Province of New Brunswick in the previous calendar year. Deferred assessments represent the assessments billed to the insurance companies in advance based on the budgeted expenses plus or minus adjustments between budgeted expenses and actual expenses, as determined at each fiscal year-end.

7. Related party transactions

The NBIB is related to all Province of New Brunswick departments, agencies and Crown Corporations by virtue of common control.

8. Financial instruments

Credit risk

The NBIB is exposed to credit risk resulting from the possibility that parties may default on their financial obligations, or if there is a concentration of transactions carried out with the same party or if there is a concentration of financial obligations which have similar economic characteristics such that they could be similarly affected by changes in economic conditions.

The maximum exposure of the NBIB to credit risk at March 31, 2017 is as follows:

Cash	\$	2,154,225
Accounts receivable		9,879
	\$	<u>2,164,104</u>

Cash and investments: Credit risk associated with cash and investments is minimized substantially by ensuring that these assets are invested in financial obligations of: governments and major financial institutions that have been accorded investment grade rating by a primary rating agency, and/or other creditworthy parties. An ongoing review is performed to evaluate changes in the status of the issuers of securities authorized for investment under the NBIB's investment policy.

Management believes concentrations of credit risk with respect to accounts receivable is limited due to the nature of the transactions between the NBIB and the insurance companies.

Liquidity risk

Liquidity risk is the risk that the NBIB will not be able to meet a demand for cash or fund its obligations as they come due. Liquidity risk also includes the risk of the NBIB not being able to liquidate assets in a timely manner at a reasonable price.

The NBIB meets its liquidity requirements by monitoring cash flows from operations and holding assets that can be readily converted into cash. The NBIB holds investments that can easily be converted to cash should it be required to meet temporary fluctuations in cash requirements. The NBIB also assesses insurance companies in advance of the fiscal year start in order to maintain liquidity.

Market risk

The NBIB is exposed to market risk through the fluctuation of financial instruments fair values due to changes in market prices. The significant market risk to which the NBIB is exposed is interest rate risk.

New Brunswick Insurance Board

Notes to Financial Statements

For the year ended March 31, 2017

8. Financial instruments (continued)

Interest rate risk

Interest rate risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate due to changes in market interest rates.

The interest rate exposure of the NBIB arises from its interest bearing assets.

9. Cash and cash equivalents

Cash and cash equivalents include cash in bank and temporary investments with a term of one year or less.

10. Comparative figures

Certain comparative figures have been changed to conform to the current year's presentation.