

2020 ANNUAL REPORT



New Brunswick
INSURANCE
Board

2020 ANNUAL REPORT



New Brunswick
INSURANCE
Board

Reception: (506)643-7710
Toll Free: 1-866-876-9666
Fax: (506)652-5011

Email: info@nbib-canb.org
Website: www.nbib-canb.org

15 Market Square, Suite 601
Saint John, NB
E2L 1E8
Canada

On the cover: Fredericton, NB
Source: unsplash.com

Inside cover: Campobello Island, NB
Source: Tourism NB

March 1, 2021

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

Attention: Honorable Ernie Steeves

Re: 2020 Annual Report

Dear Minister Steeves;

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 2020 calendar year. The report contains an overview of our activities for the year, as well as our audited financial statements for the 2019-2020 fiscal year ending March 31, 2020.

Respectfully submitted,



Marie-Claude Doucet
Chair & CEO
New Brunswick Insurance Board

TABLE OF CONTENTS



New Brunswick
INSURANCE
Board

Message from the Chair 5

The Board 9

Mission

Board Governance

Members

Organizational Chart

Accountability

Board Involvements

Rate Review Process 15

2020 Market Summary

2020 Rate Applications

Hearings

External Consultants

New Brunswick Market 22

Territories

Private Passenger Vehicles

Insurance Company Groups

Facility Association

IAO Actuarial Consulting Services AON

Reed Stenhouse Inc.

Understanding Insurance Rates 28

Insurance

Insurance Premiums

Appendix A – Filings Reviewed in 2019 32

Filing Guidelines

Private Passenger Vehicles

Commercial and Interurban Vehicles

Miscellaneous Vehicles

Non-Rate Filings

Appendix B – Audited Financial Statements 41

MESSAGE FROM THE CHAIR



It is with pleasure that I present the New Brunswick Insurance Board 2020 Annual Report, which provides an overview of the organization's activities of the previous 12 months.

The Mandate of The Board

The New Brunswick Insurance Board (NBIB or the Board) is a quasi-judicial administrative tribunal that was created under the *Insurance Act* (the *Act*) in 2004 and operates at arm's length from government. The Board maintains general supervision of automobile insurance rates in our Province, exercising its powers conferred by legislation.

Pursuant to the *Act*, the NBIB is tasked with the important responsibility of ensuring that premiums to be charged by automobile insurance companies conducting business within our province are just and reasonable. To fulfill this mandate, the Board relies on a robust review process which includes inquiry mechanisms to protect the interests of the public while enabling industry competition and ensuring market stability.

Overview of 2020

2020, because of COVID-19, has undeniably been an unusual year on many fronts, and as a result, the Board has had to face many unprecedented and challenging circumstances. As can be appreciated, during the spring of 2020 the Board was adapting to the evolving pandemic in order to ensure uninterrupted productivity and continuity of our operations. The Board's ability to react quickly and develop new processes in order to ensure the completion of our regulatory functions was certainly put to the test.

In terms of the rate applications, the NBIB was still facing a challenging environment with a continuation of upward pressure on automobile insurance rates leading to hearings and consequently a significant increased workload over recent years. Such a long-term trend toward higher auto insurance rates was observed both here in New Brunswick and across Canada. The Board welcomed two new staff members to help with the extra workload and to ensure stability in our operation. As well, beginning in August, we also had the privilege of having a very dedicated articling student join the team for six months. He will be learning about the operations of an administrative tribunal, and assisting wherever he can. I am pleased to report that the concerted efforts of our staff

have enabled us to complete 360 reviews in the calendar year 2020.

The rate applications filed with the Board in 2020 were primarily justified based on data from 2019 and prior years, consequently not factoring in the impact of COVID-19 on loss data. The aggregated data collected by the General Insurance Statistical Agency (GISA) shows the deterioration of the NB auto insurance market over the period from 2015 to 2019. Auto insurers doing business in our Province lost an aggregated \$124 million on private passenger auto insurance from 2015 through 2019 and the year over year results have shown steady declines from a net loss of \$16.3 million in 2015 to a net loss of \$19.6 million in 2019, although this was a significant improvement on the \$42.5 million lost in 2018.

Considering these results, the rate increases requested by auto insurers again this year came as no surprise. During 2020, the Board received rate applications, requesting approval of rate changes ranging from -0.65% to 20.85%. The Board held a total of 18 hearings in 2020 to consider these rate applications, most of these being held in writing due to the pandemic. As we have seen in previous years, most insurers continued to request rate increases well below their indication, largely due to the competitive automobile insurance environment in our Province and the rigorous review process utilized in New Brunswick.

Much of the evidence presented to the Board in the 2020 rate application filings was similar to that presented in 2019, a perpetuity of deterioration in loss experience. Again, this year, the losses appeared to be largely driven by the claims costs for bodily injury (BI), accident benefits (AB) and direct compensation - property damage (DCPD). The increasing expense of repairing vehicles, largely due to the advanced safety technology in late model vehicles, appear to be a driving factor in rising loss costs. Increasingly complex and sophisticated safety equipment on newer vehicles appears to result in fewer accidents (improving frequency), however, the claims resulting therefrom prove to be significantly higher (deteriorating severity).

While the impact on the incurred claims in 2020 resulting from the COVID-19 pandemic will only begin to be reported by GISA in 2021, many insurers doing business in our Province have made requests to the Board, and were granted approval, to implement temporary relief measures for their private passenger and commercial vehicle policyholders in light of COVID-19. The actions taken by the insurers providing relief to consumers facing financial hardship ranged widely from one insurer to another, but the measures were for the most part in the form of premium relief and/or premium deferral options.

Looking ahead to 2021

The Board anticipates that in 2021, the pattern of increasing auto insurance rates observed in recent years may moderate as the impact of previous rate increase approvals flows through to the insurers' books of business, and due to the disruption in driving behaviors resulting from COVID-19. It is still too early to determine the extent of the impact of the pandemic on rates due to the uncertainty of its duration and change in experience. That said, we anticipate that insurers may apply an adjustment to trends considering the effect of COVID-19 on loss experience.

As indicated above, the pressures on auto insurance rates along with the impact of the pandemic are occurring all across Canada, but we are proud to report that New Brunswick drivers continue to pay some of the lowest automobile insurance premiums in the country. Nevertheless, we unremittably recognize that automobile insurance rates affect all





New Brunswick drivers and that premiums constitute an important expense for consumers. For this reason, we constantly strive to ensure that the proposed rate changes are rigorously reviewed and that auto insurers are held to account for the rate that they propose charging to their customers. The Board is committed to ensuring that the rates approved are just and reasonable, sustainable, predictable and affordable. These remain a top priority for the Board.

In early 2020, we received notification from our landlord that the lessor did not intend on renewing our lease coming to term on December 31, 2020. Efforts were therefore deployed to secure a new home for the Board, which led to the lease of office space in the Saint John City Hall building. The relocation of the NBIB is anticipated to take place at the beginning of January 2021 and we look forward to settling into our new home.

Upcoming Challenges

As has been observed in countless industries around the world in the past year, it is anticipated that COVID-19 will continue to have an impact on the automobile insurance industry and therefore also at the regulatory level over the next few years. As previously stated, since the beginning of the current pandemic, we have been forced to operate in a new way, capitalizing and relying on technology now more than ever before. While this has brought efficiencies on some fronts, it undeniably brought on numerous uncertainties, logistical and technological challenges that we will continue to deal with in the imminent future. For instance, since the beginning of the pandemic, the Board has held all its hearings in written format. While this form of hearing certainly has proven to be effective, there remains benefits in some instances of having the matters being heard orally. Though consideration was given to the prospect of having virtual hearings, the current technology available inevitably raise concerns, specifically in terms of reliability. We hope that there will be advances in video conferencing technology, eventually improving it to a point where we will be able to effectively hold virtual hearings, but the current issues are anticipated to persist at least in the short and medium term.

Over the past couple of years, the New Brunswick Financial and Consumer Services Commission has undertaken a project to modernize the *Insurance Act*. In this process, the Board was consulted in respect to the sections pertaining to the NBIB. While it is uncertain when the amended legislation will receive Royal Assent, the upcoming reforms will most likely require us to perform a complete analysis of the amendments under the sections of the *Act*, as well as any applicable regulations pertaining to the Board and may require revisions of its current framework. New processes, procedures, policies and guidelines in regard to rate filings and hearings may have to be developed to incorporate the changes brought by the reform.

The business of auto insurance continues to be an area of dynamic change. The vehicles that are being insured are becoming more technologically laden with an increasing array of available safety features. At the same time, as consumer technology (social media, communication, entertainment systems) is becoming more integrated in new vehicles, the risks of distracted driving causing an accident have also increased.

Insurers are aware of these challenges and most insurers have examined opportunities for encouraging safer driving habits as part of the effort to reduce accidents, injuries and the resulting claims costs. These include the introduction of discounts for safe driving and programs for consumers to pay a greater portion of their premiums based on their own driving habits. Because insurance is based on the pooling of risk (the premiums of the many pay the claims of the few), the Board must remain vigilant that there is not excessive segmentation of risks which will result in significant dislocation to individual consumers. Insurers are using increasingly sophisticated algorithms to

properly match auto insurance premium with the risk involved. The Board continues its efforts to ensure that it keeps pace with changes being introduced by insurers including the relatively new use of machine learning.

Notwithstanding the challenges that have emanated over the past year(s) following the current environment of increasing pressure on rates and competition, many insurers have also been focusing on reinventing product offerings and leveraging technology to develop innovative methodologies to price auto insurance. As these new opportunities and products (i.e. pay-as-you-go, car sharing, novel rating criteria) emerge, it is essential that the Board remains receptive to innovative ratemaking and continue to engage with stakeholders ensuring fair rates for consumers all while fostering a competitive environment.

Initiatives

Procedural fairness requires that the Board ensures that our processes are as efficient and effective as possible. The ongoing search for improvement opportunities is a priority, even more so now considering the significant number of rate applications that require a hearing.

Increasing Transparency


The Board believes transparency in its work and in the results that it achieves is paramount to our success as a regulator. Our website is continuously updated to reflect the most recent decisions of the Board and to inform the public of upcoming hearings, approved rates, as well as Decisions of the Board. Furthermore, the Board has again this year, prior to the pandemic, conducted hearings in different cities, allowing the public from various parts of the Province to attend. The Board, as usual, continues to welcome any New Brunswicker to attend hearings.

In closing, I wish to express my gratitude to the Board's extraordinarily productive and dedicated employees that have all risen to the logistical challenges and pitfalls brought on by the pandemic. Due to our staff's hard work and ability to adapt to the ever-changing landscape, the Board was able to continue operating in a seamless fashion. My most sincere thanks go out to all our staff.

Sincerely,



Marie-Claude Doucet
Chair & CEO
New Brunswick Insurance Board



Fundy National Park
Source: Tourism NB



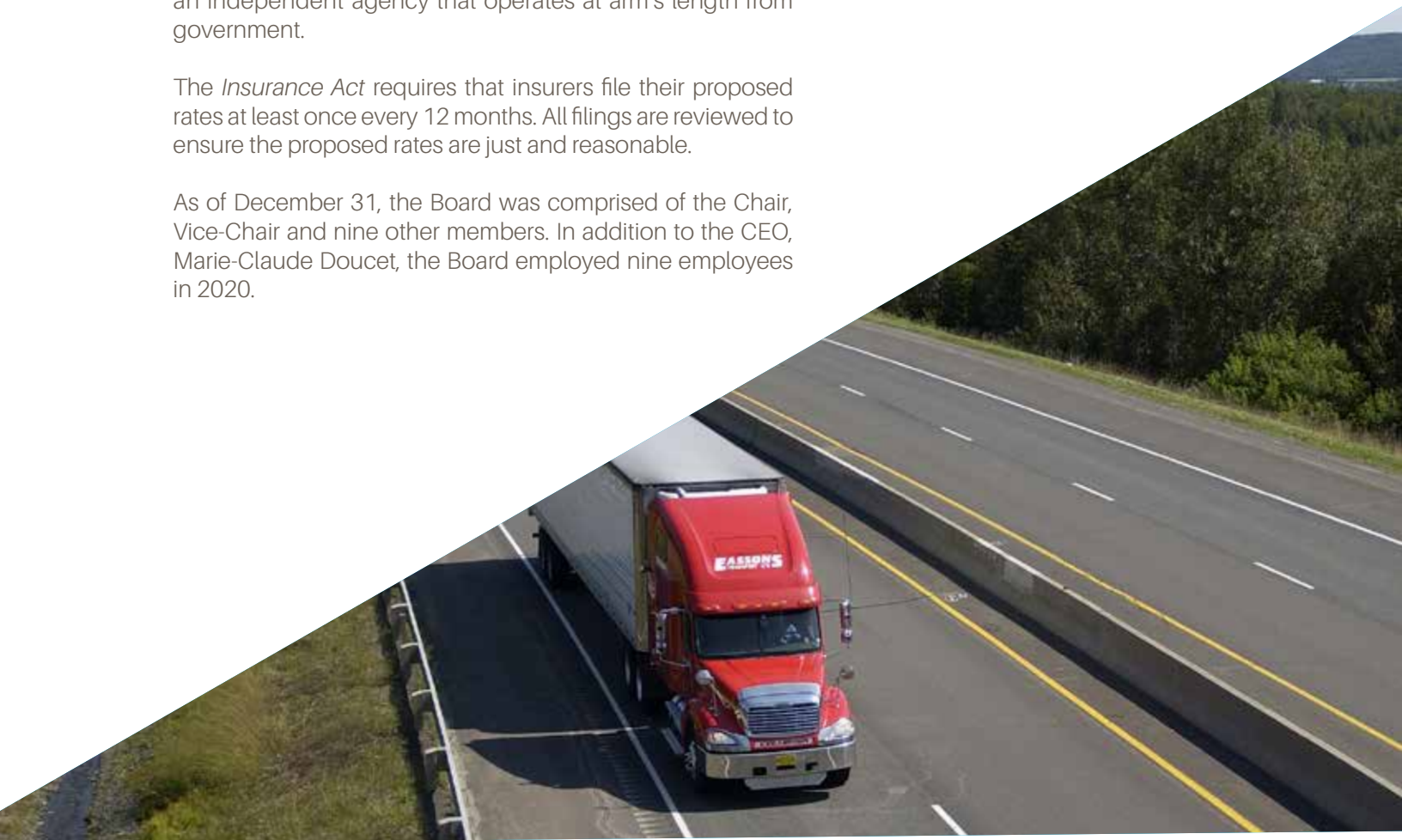
THE BOARD

THE NEW BRUNSWICK INSURANCE 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 to ensure the proposed rates are just and reasonable.

As of December 31, the Board was comprised of the Chair, Vice-Chair and nine other members. In addition to the CEO, Marie-Claude Doucet, the Board employed nine employees in 2020.



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
- New Brunswick company experience
- 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
Dieppe
Appointed 2016



Marven Grant
Vice-Chair
Fredericton
Appointed 2019



Rachel Arseneau-Ferguson
Campbellton
Appointed 2020



Ferne Ashford
Fredericton
Reappointed 2019



Cyril Johnston
Moncton
Appointed 2020



Francine Kanhai
Saint-André
Reappointed 2018



Georges Leger
Shediac
Reappointed 2019



Kirk MacDonald
Stanley
Appointed 2019



Brigitte M. Ouellette
Grand Falls
Appointed 2020



Heather Stephen
Saint John
Reappointed 2019

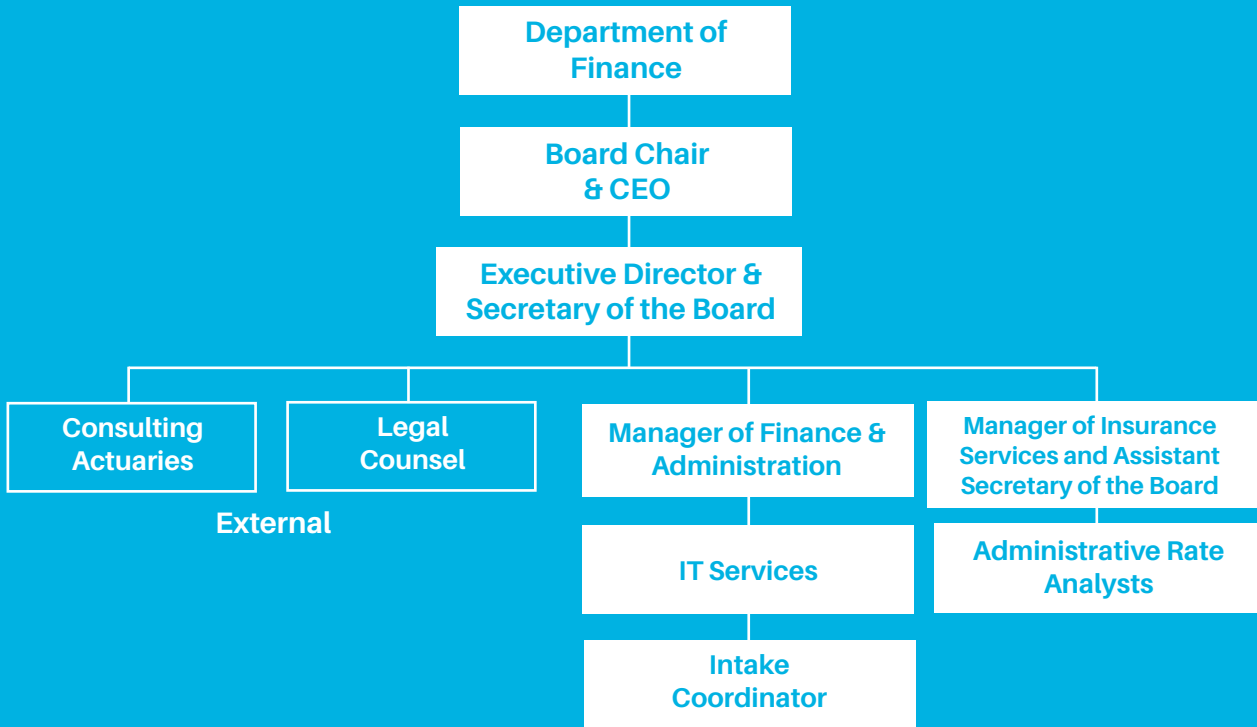


Elizabeth Turgeon
Fredericton
Reappointed 2019

In 2020, the terms of Jim Jessop, Robert McSorley and Katherine Munro ended. The Board thanks them for their service.

We also welcomed Board members Rachel Arseneau-Ferguson, Cyril Johnston and Brigitte M. Ouellette. We are pleased these members will serve New Brunswickers over the next three years.

ORGANIZATIONAL CHART



Miscou Island
Source: Tourism NB

ACCOUNTABILITY

By legislation, the NBIB has the obligation to report its previous year's activities to the Minister of Finance by March 1st. This report highlights our activities and accomplishments of the 2020 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 approved rates 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, 2020 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 2020.



DID YOU KNOW?

If you are involved in a motor vehicle accident while not wearing a seatbelt, the amount recoverable could be reduced by 25%.

New Brunswick Insurance Act, RSNB 1973, c 1-12, paragraph 265.2(1)



BOARD INVOLVEMENTS

Canadian Automobile Insurance Rate Regulators Association (CARR)

Since the formation in 2007, CARR has allowed Canadian auto insurance rate regulators to work together toward building more efficient and effective ways of fulfilling their respective mandates. Insurers are constantly developing new auto insurance products and new methodologies for producing auto insurance rates. Regulators need to stay on top of these changes in order to ensure that consumers are protected.

2020 has been a challenging year for CARR due to the emergence of coronavirus and the subsequent restrictions on travel. May's spring training conference and the annual fall conference were cancelled and CARR's annual meeting was held virtually in September. However, as have many organizations, CARR is adapting to the new reality and has been able to continue to complete committee work through virtual meetings and is planning in-person and virtual events for 2021.

A number of jurisdictions have seen or are currently seeing legislative changes that are or will impact rate review processes. Due to this uncertainty, one significant project that was working toward the development of a common rate filing system has been suspended. CARR hopes to be able to revisit this project in the near future.

The NBIB continues to support CARR and its work through committee membership, attendance at CARR events (in-person and virtual) and leadership on the CARR executive.

Canadian Council of Administrative Tribunals (CCAT)

The NBIB, through the participation of the Chair, continues its membership in the CCAT. Participation in CCAT ensures that the NBIB continues to stay abreast of current trends in administrative law and procedures.



Deer Island Ferry
Source: Tourism NB



Sussex, NB
Source: Tourism NB



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 either KPMG or Eckler. The rigorous review process involves discussions with the insurers to clarify processes, to question assumptions used to develop 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 insurers actual experience compared to what had been previously projected and analyze 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 comprised of Board Members. 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 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.



Lower Kintore, NB
Source: Tourism NB

2020 MARKET SUMMARY

The past number of years have seen increases in average auto insurance premiums primarily caused by increasing claims costs. Data received in 2020 shows that there might be some relief from increasing rates in the next few years. Average claim costs per vehicle increased significantly from 2015 (\$684) to 2019 (\$749); however, 2019 represented a slight reduction from 2018 (\$751) and may indicate that claims costs are stabilizing. Combined with previously approved rate increases, the industry-wide loss ratio (claims as a percentage of premiums) here in NB dropped from a high of 93% in 2017 to 83% in 2019.

Although data released later in 2020 shows a levelling off of some of the factors that have been putting upward pressure on rates, the impacts of this new data will not be felt on auto insurance rate applications until late 2020 and into 2021. The estimated average premium in 2019 was approx. \$905 and this rose in 2020 to approx. \$990.

The emergence of coronavirus in early 2020 and the lockdowns that took place province-wide in March, April and May and in other areas later in the year had some impact on auto insurance market. The amount of vehicles on the roads dipped dramatically at times and the expectation is that there were fewer claims made however, it is unclear of the impact on the severity of the claims. NB became part of the Atlantic bubble in July and kms driven began to rebound. Ongoing changes to the regional situation may continue to result in future impacts to driving behaviour.

INCURRED CLAIMS COST PER VEHICLE

Source: GISA AUTO 1010

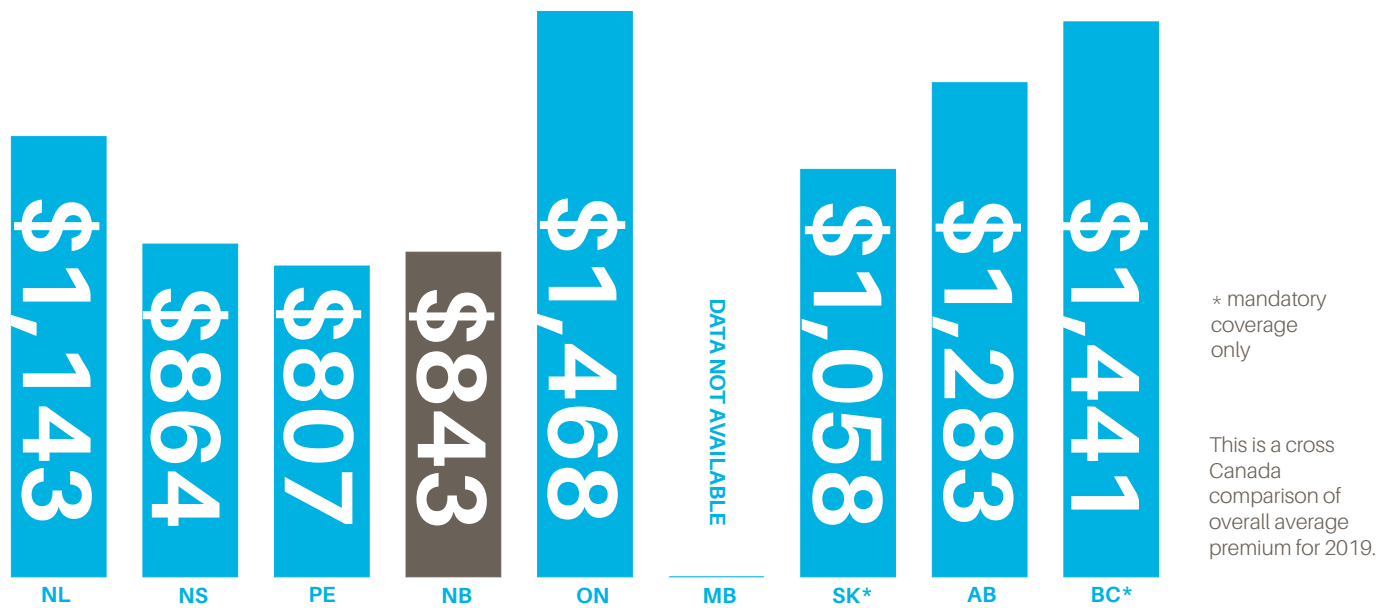


The average cost of claims (severity) combined with the average number of claims (frequency) produces the average claim (loss) cost. As depicted in the chart, claims costs have been continuing to increase over the past five year although average claims costs for bodily injury appear to have levelled off and even dropped in 2019. Average claims costs for other coverages are still increasing, however there are signs that the increases are moderating in 2019. Bodily injury claims have fallen by 12.4% from the peak in 2016 to 2019. Direct compensation property damage claims have increased by 10% over the five years from 2015 to 2019 but the previous five year average increase was 25.8%. Finally, collision claims have increased by 22.4% over the last five years but this has moderated slightly from the previous five-year average increase of 26.6%.

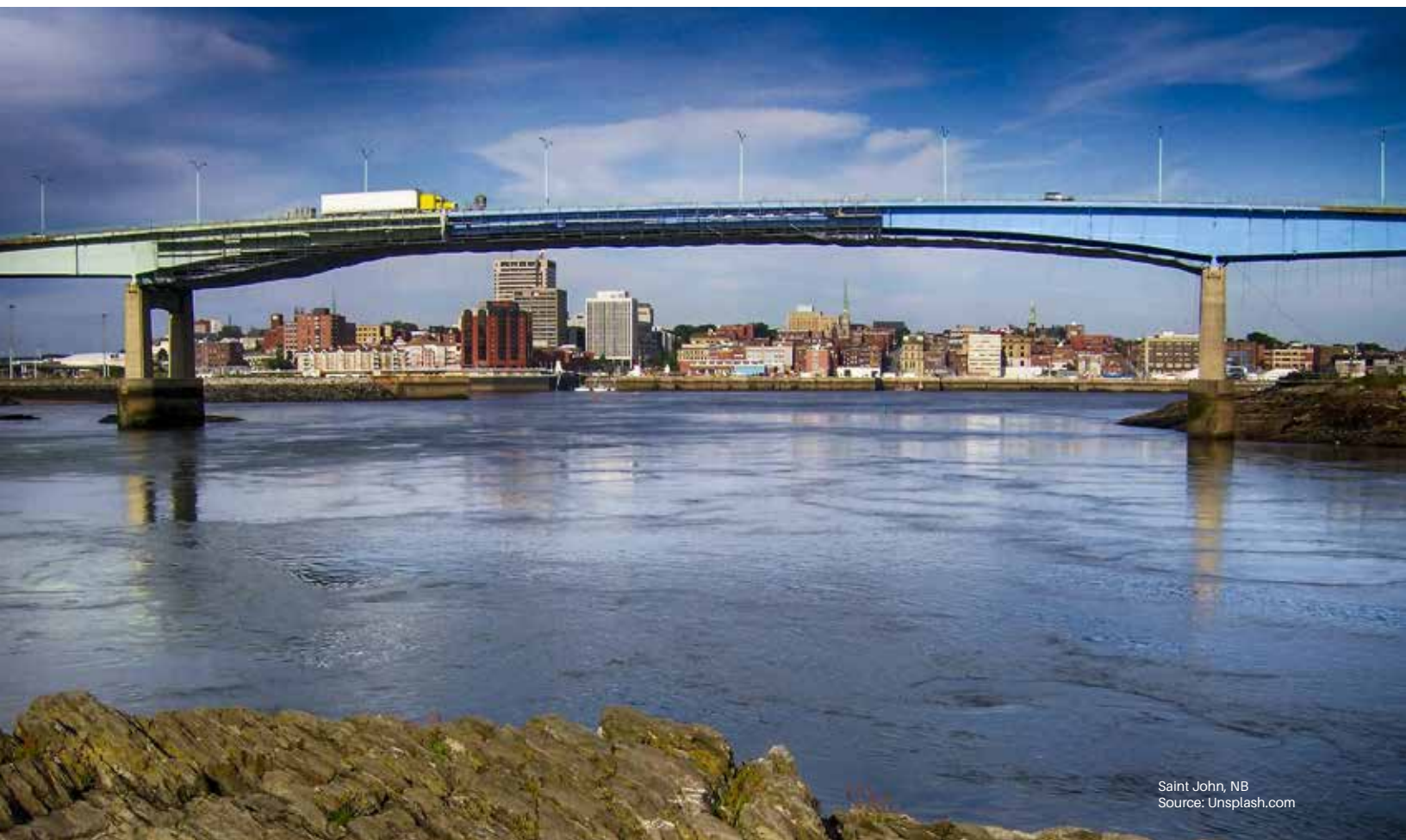
Overall average claims costs actually dropped marginally from 2018 to 2019 from \$751 to \$749. The five year increase, from 2015 to 2019, in average overall claims costs has been 9.5% from \$684 to \$748. The previous five year average from 2014 to 2018 was much higher at 22.1% from \$615 to \$751. This once again shows that there has been significant moderation in the rate that claims costs are rising.

Unlike prior years, average premiums have risen at a higher rate than average claims costs. The five year average increase in average premiums from 2015 to 2019 was 19%. As noted above, rising premiums combined with a slower rise in claims costs is resulting in a better match between revenue and expenses for insurers and overall loss ratios have dropped from a high of 93% in 2017 to 83% in 2019. These results should lead to moderation in requests for rate increases from insurers in upcoming years.

AVERAGE PREMIUM PER PROVINCE



Source: SGI Annual Report, GISA, ICBC Press Releases



Saint John, NB
Source: Unsplash.com

2020 RATE APPLICATIONS



In 2020, the Board received rate applications from companies, Facility Association (FA) and IAO Actuarial Consulting Services AON Reed Stenhouse 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 360 filings in 2020, which included:

- **51** private passenger vehicle rate filings
- **34** commercial and interurban vehicle rate filings
- **233** miscellaneous vehicle rate filings including, motorcycles, ATVs, snowmobiles, buses, taxis etc.
- **42** other 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:

- It files for a rate change more than twice in a 12 month period, or
- 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
- When the Board requires it to do so.

The Board was required to make adjustments to its hearing procedures in 2020 due to the emergence of coronavirus. Beginning in March 2020, all Board hearings have been held as written hearings. Written hearings follow the same format as oral hearings with the exception of in-person testimony. With significant restrictions on travel that are still in place, hearings will continue to be held using a written format for the foreseeable future. The Board is continuing to investigate virtual hearing options as there are still concerns in regard to the current technology available.

DID YOU KNOW?

Effective January 1, 2021 the amendments to the *Motor Vehicles Act* include:

Extending Move Over, Slow Down provisions to tow trucks, highway maintenance vehicles and private and public utility vehicles that have their flashing lights engaged.



2020 HEARINGS

Company	Class	Indication	Proposed	Approved
Allstate Insurance Company of Canada	Private Passenger	19.16%	6.50%	6.50%
Aviva General Insurance Company	Private Passenger	7.10%	6.38%	4.38%
Aviva Insurance Company of Canada	Private Passenger	12.09%	9.31%	9.31%
Co-operators General Insurance Company	Private Passenger	10.83%	10.58%	10.58%
Echelon Insurance Company	Private Passenger	78.10%	51.10%	44.00%
Facility Association	Private Passenger	13.50%	0.00%	0.00%
Facility Association	Taxi	10.50%	0.00%	0.00%
Insurance Company of Prince Edward Island	Private Passenger	32.37%	25.00%	25.00%
Intact Insurance Company	Private Passenger	4.57%	-0.03%	-0.03%
Pembridge Insurance Company	Private Passenger	24.19%	8.49%	8.49%
Portage la Prairie Mutual Insurance Company, The	Private Passenger	18.00%	15.00%	15.00%
Primum Insurance Company	Private Passenger	43.78%	23.88%	23.88%
Promutuel de l'Estuaire, Société mutuelle d'assurance générale	Private Passenger	35.37%	14.62%	14.62%
Security National Insurance Company	Private Passenger	43.78%	18.15%	18.15%
Sonnet Insurance Company	Private Passenger	79.40%	50.30%	50.30%
TD Home and Auto Insurance Company	Private Passenger	43.78%	18.38%	18.38%
United General Insurance Corporation	Private Passenger	13.57%	7.02%	7.02%
Wawanesa Mutual Insurance Company, The	Private Passenger	20.02%	10.45%	10.45%

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



External Consultants

Consulting Actuaries

Our consulting actuaries bring a wealth of world-class talent and experience to the actuarial review process and have provided the NBIB with excellent advice and support during their appointments.

Eckler

Canada's largest independent actuarial and consulting firm, Eckler offers services in property and casualty (P&C) insurance, life insurance, pension and benefits, communications, and technology consulting.

The P&C actuarial consulting team has extensive experience in product pricing, particularly for automobile insurance. Eckler works with many P&C insurers to review rate analyses and filings prior to submission to regulators, as well as Insurance Bureau of Canada on CLEAR analyses and regulatory filings. Currently, Eckler is the appointed actuary to over 40 P&C insurers, reinsurers and quasi-insurers, and the actuarial advisor to three provincial rate regulatory authorities, including the NBIB.

KPMG

KPMG's roots in Canada date back to 1869. Today, we operate in over 40 locations across the country, providing services to many of the top business, not for profit and government organizations. We work closely with our clients, helping them to manage risks and take advantage of opportunities.

At the heart of KPMG's insurance consulting practice, our property and casualty actuarial team has served as consultants to the NBIB since 2012. Our services for the Board include actuarial review of rate applications, advising Board members during rate hearings and working with the Board's staff on a variety of projects affecting automobile insurance rates in New Brunswick.

Legal Counsel Fawcett Cutler Law

Cathy Fawcett, Q.C. has served as legal counsel to the New Brunswick Insurance Board since 2012. She is a founding and co-managing partner of Fawcett Cutler Law, a boutique law firm in Saint John specializing in regulatory law, administrative law, health law and complex litigation. Fawcett Cutler Law'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.



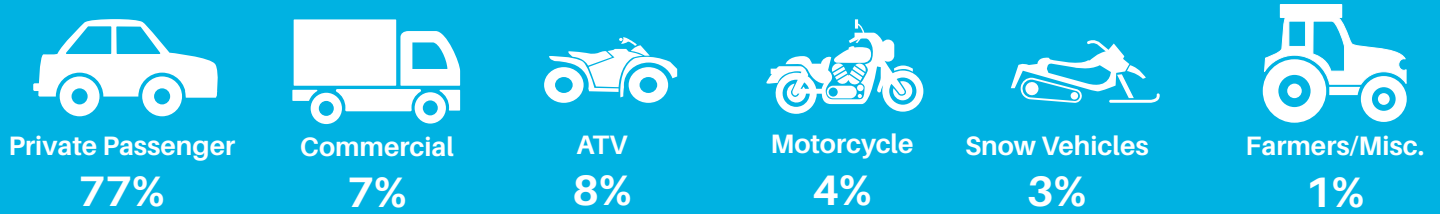
DID YOU KNOW?

Many insurers offered relief measures to their insureds in 2020 due to the Covid-19 pandemic.

Source: ibc.ca

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 2019, the most recent year for which data is available, is as follows:



Source: GISA AUTO1010-ATL and Auto 1101 ATL

TERRITORIES

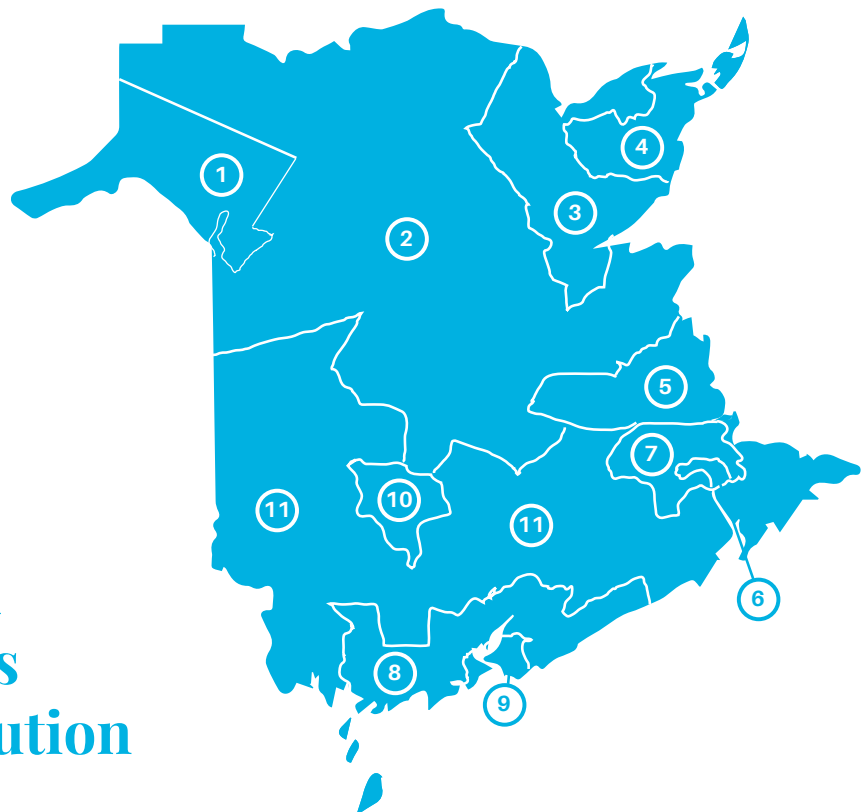
The New Brunswick government introduced an eleven territory statistical rating system effective 2008. The revised territories were created based on relevant factors such as traffic patterns and vehicle density, terrain, road conditions, speed limits, crime rates and weather conditions.

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 2019 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.

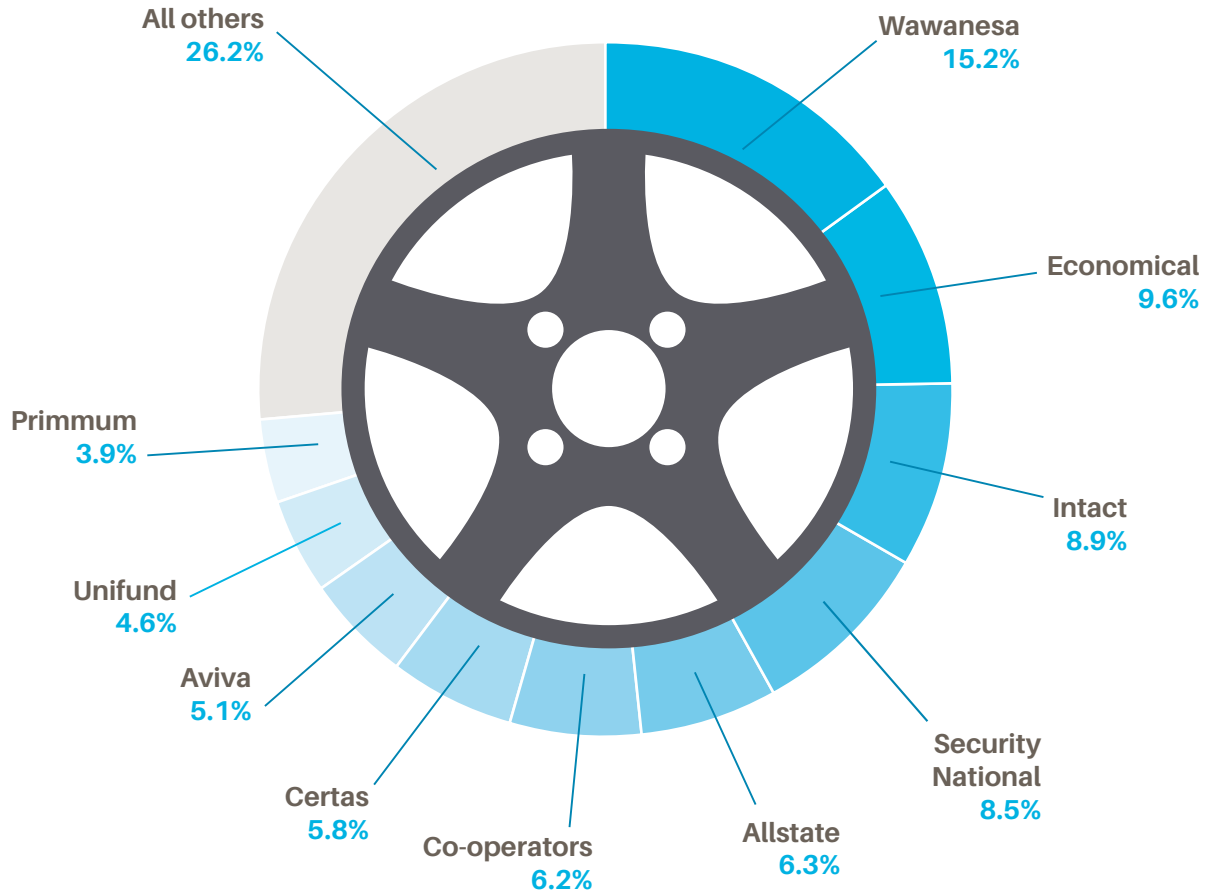
Territories	1	5%
	2	10%
	3	9%
	4	7%
	5	7%
	6	9%
	7	8%
	8	10%
	9	7%
	10	12%
	11	16%

Written Vehicles Distribution

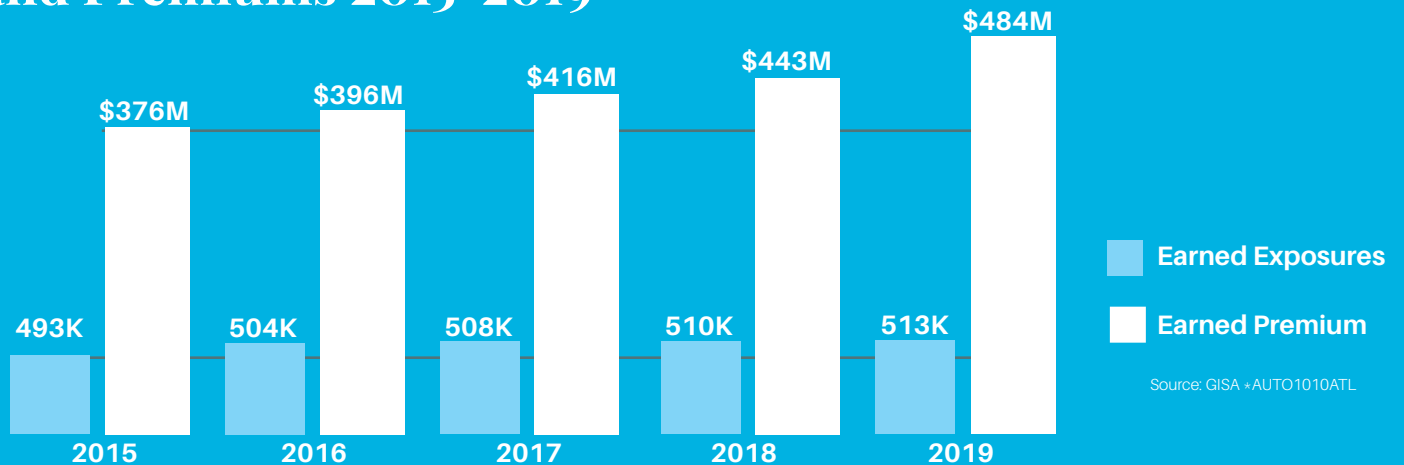


Private Passenger Vehicles

There are 48 insurance companies within the private passenger market in New Brunswick. Based on the information contained within the 2020 rate filings submitted to the NBIB, the standard market share breaks down as follows:



NB Private Passengers Written Vehicles and Premiums 2015–2019



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
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

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.
Verasure Insurance Company
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 Not Part of a Group

Ace INA Insurance
AIG Insurance Company of Canada
Arch Insurance Canada Ltd.
CAA Insurance Company
Chubb Insurance Company
Continental Casualty Company
Dominion of Canada General Insurance Company (The)
Echelon General Insurance Company
Facility Association
Guarantee Company of North America (The)
Hartford Fire Insurance Company
Insurance Company of Prince Edward Island
Liberty Mutual Insurance Company
Lloyds Underwriters
Portage la Prairie Mutual Insurance Company (The)
Promutuel de l'Estuaire
Protective Insurance Company
United General Insurance Corporation
Wawanese Mutual Insurance Company (The)
XL Insurance Company

DID YOU KNOW?

New Brunswick has a Consumer Advocate for Insurance that was appointed by the Legislative Assembly of New Brunswick to monitor the practices of insurers, brokers and agents, while serving as an advocate for consumers.

<https://www.insurance-assurance.ca/index>



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.

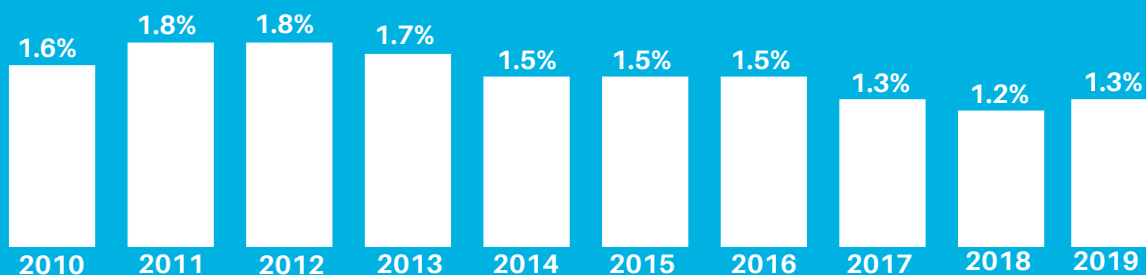
In 2020, the Board held two (2) hearings involving applications from Facility Association. Below are the class of vehicles on which the Board held hearings for FA:

- Taxis and Limousines
- Private Passenger Vehicles



New Brunswick Private Passenger Vehicles Market Share 2010 to 2019

Residual Market Segment Private Passenger Market Share New Brunswick



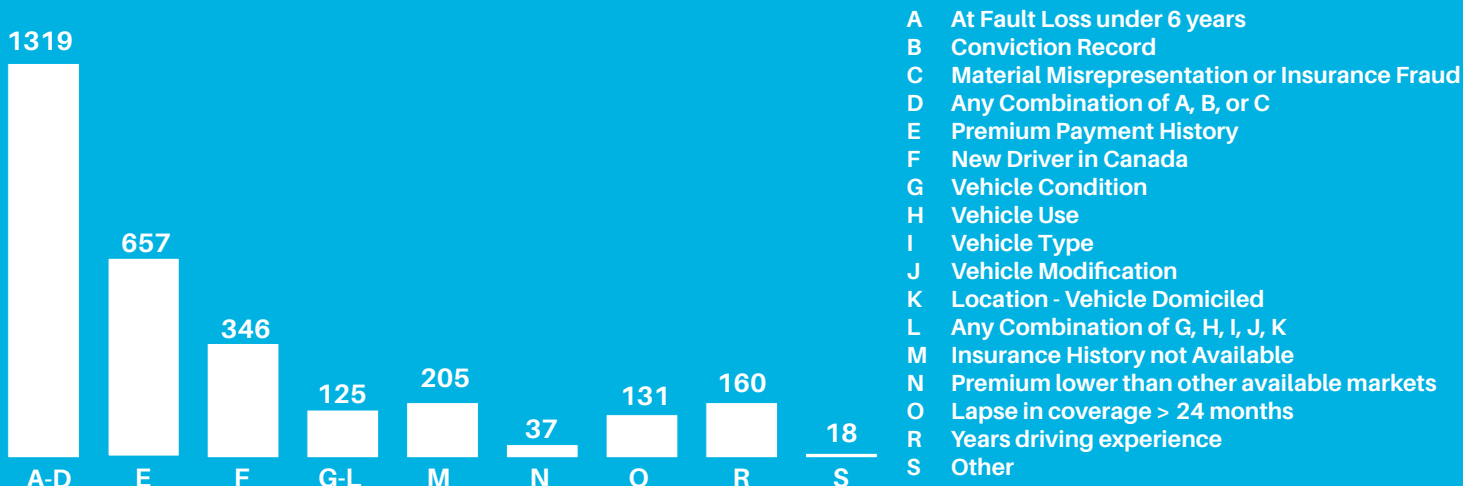
Source: www.facilityassociation.com

FA's market share hit a peak in 2002 of 4.94%. Over the last ten years, market share for FA has been relatively stable, increasing in 2019 to 1.3%. By Canadian standards, a residual market at 2% or less is considered to be an indicator of a very healthy overall insurance market.

Reasons for Private Passenger Vehicles Placement in FA in New Brunswick

FA is a market of last resort for vehicles that cannot purchase automobile insurance elsewhere.

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 2020 placements of vehicles into FA. As can be seen below the majority are due to claims, convictions or fraud and misrepresentation.



Source: Facility Association

IAO ACTUARIAL CONSULTING SERVICES AON REED STENHOUSE INC.

IAO Actuarial Consulting Services AON Reed Stenhouse 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.

As can be seen in the following chart, 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.



Companies adopting IAO rates 2020

Market Share Adopting IAO PPV Rates	
ACE INA Insurance	0.00%
Chubb Insurance Company of Canada	0.00%
Federated Insurance Company of Canada	0.01%
Liberty Mutual Insurance	0.00%
Northbridge General Insurance Co	0.89%
Protective Insurance Company	0.00%
Sovereign General Insurance Co., The	0.01%
Tokio Marine & Nichido Fire Insurance Co., Ltd.	0.00%
XL Specialty Insurance Company	0.00%
Zenith Insurance Company	0.06%

Percent of Market Adopting IAO Rates

0.97%

Companies showing 0.00% have zero exposures in New Brunswick



Lake Nictau, NB
Source: Tourism NB



St. Martins, NB
Source: Tourism NB

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 kilometers 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.

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

GISA.ca

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.

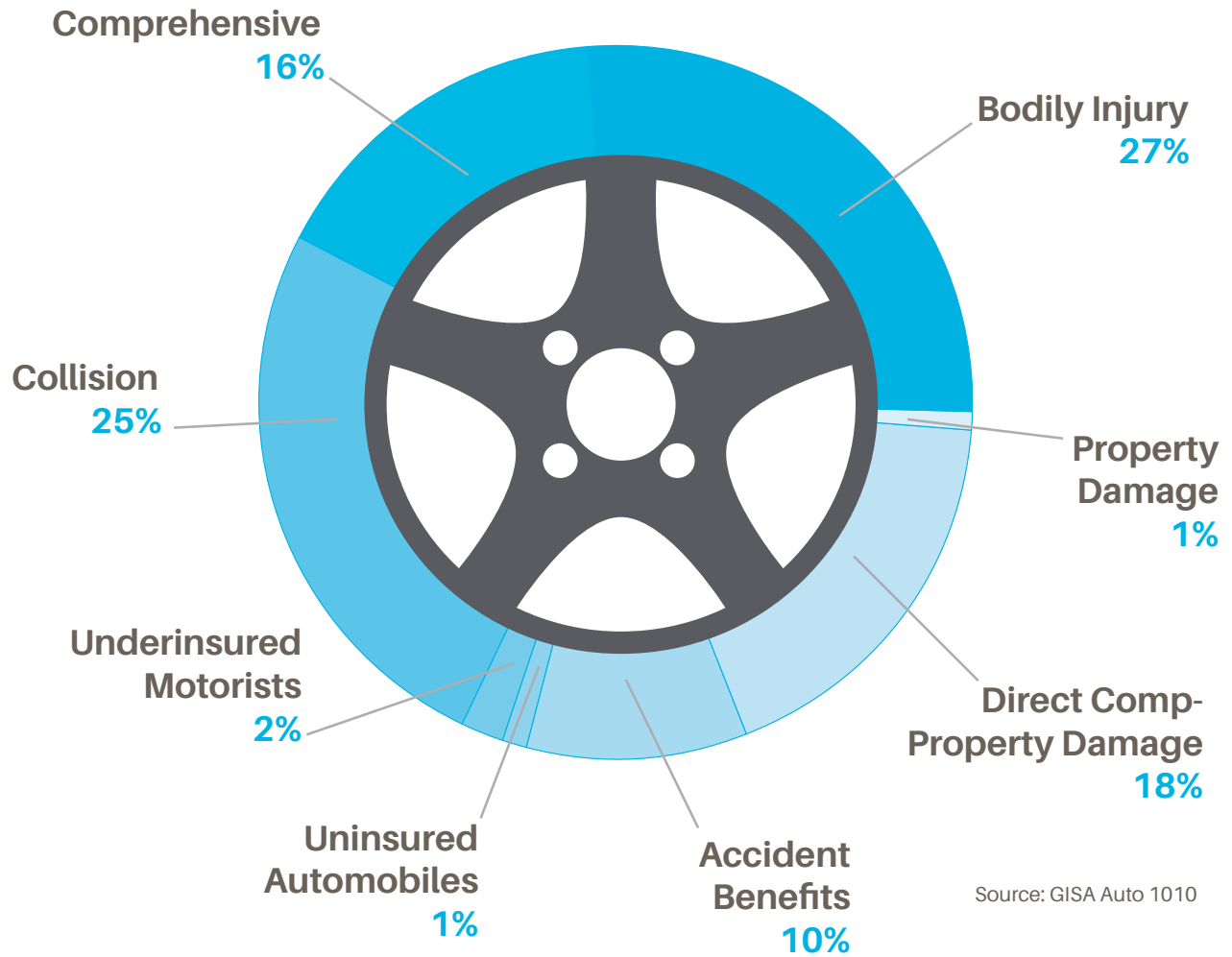
(Casualty Actuarial Society, 1988, p. 6)“ Society of Actuaries, Fundamentals of General Insurance Actuarial Analysis, 2013, p. 549)

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.

The Canadian Loss Experience Automobile Rating (CLEAR) 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.

GISA.ca

Distribution of Premium by Coverage



Source: GISA Auto 1010

DID YOU KNOW?

On average, a car is stolen every 6 minutes in Canada.

In 2020 the number one stolen vehicle in Canada was a 2018 HONDA CR-V 4DR AWD.

www.ibc.ca



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

What is covered-the driver, the passengers and anyone else involved in a collision involving your car on your policy, the car itself.

What is not covered-briefcases, purses, sport equipment, smart phones or other items that may be stolen from your car or damaged in a collision may be covered by your home, condominium or tenant insurance.

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 2020

Filing Guidelines

The NBIB filing guidelines detail for industry the manner and specifications that will be expected in filings made throughout the year. The guidelines are posted on the NBIB website.

Private Passenger Vehicles

Insurance Company Name	Approved Rate Change
Allstate Insurance Company of Canada	0.00%
Allstate Insurance Company of Canada	-0.01%
Aviva General Insurance Company	0.00%
Aviva Insurance Company of Canada	0.00%
CAA Insurance Company	Review in Progress
Certas Home and Auto Insurance Company	Review in Progress
Certas Home and Auto Insurance Company	0.00%
Chubb Insurance Company of Canada	Review in Progress
Continental Casualty Company	3.00%
Co-operators General Insurance Company	Review in Progress
CUMIS General Insurance Company	Review in Progress
Dominion of Canada General Insurance Company	Review in Progress
Dominion of Canada General Insurance Company	0.00%
Echelon General Insurance Company	0.00%
Economical Mutual Insurance Company	Review in Progress
Facility Association	13.5%
Federated Insurance Company of Canada	0.00%
Hartford Fire Insurance Company	Review in Progress
Insurance Company of Prince Edward Island	Review in Progress
Intact Insurance Company	4.57%
Intact Insurance Company	0.00%
Liberty Mutual Insurance Company	Review in Progress
Liberty Mutual Insurance Company	0.00%
Northbridge General Insurance Corporation	0.00%
Pafco Insurance Company	3.00%
Pembridge Insurance Company	0.00%
Personal Insurance Company	Review in Progress
Personal Insurance Company	0.00%
Portage la Prairie Mutual Insurance Company	Review in Progress
Primum Insurance Company	20.85%
Primum Insurance Company	0.00%
Promutuel de l'Estuaire Société mutuelle d'assurance générale	Review in Progress
Royal and Sun Alliance Insurance Company of Canada	Review in Progress

Private Passenger Vehicles (cont.)

Insurance Company Name	Approved Rate Change
S&Y Insurance Company	0.00%
Scottish & York Insurance Company Limited	0.00%
Security National Insurance Company	16.27%
Security National Insurance Company	0.00%
Sonnet Insurance Company	0.00%
Sovereign General Insurance Company	0.00%
TD Home and Auto Insurance Company	16.62%
TD Home and Auto Insurance Company	0.00%
Tokio Marine & Nichido Fire Insurance Co., Ltd.	0.00%
Traders General Insurance Company	0.00%
Trafalgar Insurance Company of Canada	Review in Progress
Trafalgar Insurance Company of Canada	0.00%
Unifund Assurance Company	Review in Progress
United General Insurance Corporation	Review in Progress
Verasure Insurance Company	0.00%
Wawanesa Mutual Insurance Company	Review in Progress
XL Specialty Insurance Company	0.00%
Zenith Insurance Company	0.00%

Commercial and Interurban Vehicles

Insurance Company Name	Filing Class	Approved Rate Change
AI G Insurance Company of Canada	Interurban	0.00%
AI G Insurance Company of Canada	Commercial	0.00%
Aviva Insurance Company of Canada	Commercial	0.00%
Aviva Insurance Company of Canada	Interurban	0.00%
Co-operators General Insurance Company	Commercial	-0.47%
Dominion of Canada General Insurance Company	Commercial and Interurban Combined	0.00%
Echelon General Insurance Company	Commercial and Interurban Combined	3.00%
Facility Association	Interurban	0.00%
Facility Association	Commercial	0.00%
Federated Insurance Company of Canada	Commercial	-9.40%
Guarantee Company of North America	Commercial and Interurban Combined	0.00%
Hartford Fire Insurance Company	Commercial	0.00%
IAO Actuarial Consulting Services AON Reed Stenhouse Inc.	Commercial	Rejected Filing-not approved
IAO Actuarial Consulting Services AON Reed Stenhouse Inc.	Interurban	Rejected Filing-not approved
Insurance Company of Prince Edward Island	Interurban	Review in Progress
Insurance Company of Prince Edward Island	Commercial	Review in Progress
Intact Insurance Company	Commercial and Interurban Combined	20.80%
Intact Insurance Company	Interurban	0.00%
Intact Insurance Company	Commercial	0.00%
Liberty Mutual Insurance Company	Interurban	0.00%
Liberty Mutual Insurance Company	Commercial	0.00%

Commercial and Interurban Vehicles (cont.)

Insurance Company Name	Filing Class	Approved Rate Change
Northbridge General Insurance Corporation	Commercial and Interurban Combined	0.00%
Portage la Prairie Mutual Insurance Company	Commercial	Review in Progress
Promutuel de l'Estuaire Société mutuelle d'assurance générale	Commercial	0.00%
Protective Insurance Company	Interurban	0.00%
Protective Insurance Company	Commercial	0.00%
Royal and Sun Alliance Insurance Company of Canada	Interurban	0.00%
Sovereign General Insurance Company	Commercial	18.60%
Sovereign General Insurance Company	Interurban	0.00%
Tokio Marine & Nichido Fire Insurance Co., Ltd.	Commercial and Interurban Combined	0.00%
United General Insurance Corporation	Commercial	-4.90%
Verassure Insurance Company	Commercial and Interurban Combined	0.00%
Wawanesa Mutual Insurance Company	Commercial	2.98%
XL Specialty Insurance Company	Commercial and Interurban Combined	0.00%

Miscellaneous Vehicles

Insurance Company Name	Filing Class	Approved Rate Change
AIG Insurance Company of Canada	Ambulances	0.00%
AIG Insurance Company of Canada	School Buses	0.00%
AIG Insurance Company of Canada	Public Buses	0.00%
AIG Insurance Company of Canada	Private Buses	0.00%
Allstate Insurance Company of Canada	Motorcycles	0.00%
Allstate Insurance Company of Canada	Snow Vehicles	0.00%
Allstate Insurance Company of Canada	Motorhomes	0.00%
Allstate Insurance Company of Canada	Camper Trailers	0.00%
Allstate Insurance Company of Canada	All Terrain Vehicle	0.00%
Aviva General Insurance Company	Snow Vehicles	0.00%
Aviva General Insurance Company	Motorhomes	0.00%
Aviva General Insurance Company	Motorcycles	0.00%
Aviva General Insurance Company	All Terrain Vehicle	0.00%
Aviva Insurance Company of Canada	Taxi & Limousine	0.00%
Aviva Insurance Company of Canada	School Buses	0.00%
Aviva Insurance Company of Canada	Public Buses	0.00%
Aviva Insurance Company of Canada	Private Buses	0.00%
Aviva Insurance Company of Canada	Ambulances	0.00%
Aviva Insurance Company of Canada	Motorhomes	0.00%
Aviva Insurance Company of Canada	Snow Vehicles	0.00%
Aviva Insurance Company of Canada	All Terrain Vehicle	0.00%
Aviva Insurance Company of Canada	Motorcycles & Mopeds	0.00%
Aviva Insurance Company of Canada	Camper Trailers	0.00%
Certas Home and Auto Insurance Company	Motorcycles	0.00%
Certas Home and Auto Insurance Company	Mopeds	0.00%
Certas Home and Auto Insurance Company	Snow Vehicles	0.00%
Certas Home and Auto Insurance Company	Motorhomes	0.00%
Certas Home and Auto Insurance Company	Camper Trailers	0.00%
Certas Home and Auto Insurance Company	All Terrain Vehicle	0.00%

Miscellaneous Vehicles (cont.)

Insurance Company Name	Filing Class	Approved Rate Change
Co-operators General Insurance Company	All Terrain Vehicle	0.00%
Co-operators General Insurance Company	School Buses	0.00%
Co-operators General Insurance Company	Private Buses	0.00%
Co-operators General Insurance Company	Motorhomes	0.00%
Co-operators General Insurance Company	Motorcycles	0.01%
Co-operators General Insurance Company	Mopeds	0.00%
Co-operators General Insurance Company	Camper Trailers	0.00%
Co-operators General Insurance Company	Snow Vehicles	2.96%
Co-operators General Insurance Company	Antique & Classic Vehicles	0.00%
CUMIS General Insurance Company	Snow Vehicles	2.97%
CUMIS General Insurance Company	Motorhomes	0.00%
CUMIS General Insurance Company	Mopeds	0.00%
CUMIS General Insurance Company	Motorcycles	0.18%
CUMIS General Insurance Company	Camper Trailers	0.00%
CUMIS General Insurance Company	All Terrain Vehicle	2.35%
Dominion of Canada General Insurance Company	Taxi & Limousine	0.00%
Dominion of Canada General Insurance Company	All Buses	0.00%
Dominion of Canada General Insurance Company	Ambulances	0.00%
Dominion of Canada General Insurance Company	All Other Public	0.00%
Dominion of Canada General Insurance Company	All Terrain Vehicle	0.00%
Dominion of Canada General Insurance Company	Antique & Classic Vehicles	0.00%
Dominion of Canada General Insurance Company	Snow Vehicles	0.00%
Dominion of Canada General Insurance Company	Motorhomes	0.00%
Dominion of Canada General Insurance Company	Camper Trailers	0.00%
Dominion of Canada General Insurance Company	Motorcycles	0.00%
Economical Mutual Insurance Company	Motorcycles	Review in Progress
Economical Mutual Insurance Company	Camper Trailers	Review in Progress
Economical Mutual Insurance Company	Motorhomes	Review in Progress
Economical Mutual Insurance Company	Snow Vehicles	Review in Progress
Economical Mutual Insurance Company	All Terrain Vehicle	Review in Progress
Elite Insurance Company	Motorhomes	0.00%
Elite Insurance Company	Motorcycles	0.00%
Elite Insurance Company	Antique & Classic Vehicles	0.00%
Elite Insurance Company	Camper Trailers	0.00%
Facility Association	Camper Trailers	0.00%
Facility Association	Motorhomes	Review in Progress
Facility Association	Antique & Classic Vehicles	0.00%
Facility Association	All Terrain Vehicle	0.00%
Facility Association	School Buses	0.00%
Facility Association	All Other Public	0.00%
Facility Association	All Other Public	0.00%
Facility Association	Motorcycles	0.00%
Facility Association	Public Buses	0.00%
Facility Association	Private Buses	0.00%
Facility Association	Ambulances	0.00%
Facility Association	Snow Vehicles	0.00%

Miscellaneous Vehicles (cont.)

Insurance Company Name	Filing Class	Approved Rate Change
Federated Insurance Company of Canada	Miscellaneous ALL Personal Use	0.00%
Guarantee Company of North America	School Buses	0.00%
Guarantee Company of North America	Public Buses	0.00%
Guarantee Company of North America	Private Buses	0.00%
Guarantee Company of North America	Ambulances	0.00%
IAO Actuarial Consulting Services AON Reed Stenhouse Inc.	Taxi & Limousine	Rejected Filing-not approved
IAO Actuarial Consulting Services AON Reed Stenhouse Inc.	School Buses	Rejected Filing-not approved
IAO Actuarial Consulting Services AON Reed Stenhouse Inc.	Public Buses	Rejected Filing-not approved
IAO Actuarial Consulting Services AON Reed Stenhouse Inc.	Private Buses	Rejected Filing-not approved
IAO Actuarial Consulting Services AON Reed Stenhouse Inc.	Ambulances	Rejected Filing-not approved
Insurance Company of Prince Edward Island	Motorhomes	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	Snow Vehicles	0.00%
Insurance Company of Prince Edward Island	Motorcycles	0.00
Insurance Company of Prince Edward Island	All Terrain Vehicle	0.00%
Intact Insurance Company	Snow Vehicles	Review in Progress
Intact Insurance Company	Antique & Classic Vehicles	Review in Progress
Intact Insurance Company	All Terrain Vehicle	Review in Progress
Intact Insurance Company	Motorhomes	Review in Progress
Intact Insurance Company	Motorcycles	Review in Progress
Intact Insurance Company	Camper Trailers	Review in Progress
Intact Insurance Company	Taxi & Limousine	0.00%
Intact Insurance Company	All Buses	0.00%
Intact Insurance Company	Ambulances	0.00%
Liberty Mutual Insurance Company	All Terrain Vehicle	0.00%
Lloyds Underwriters (Lloyds)	Motorcycles	0.00%
Lloyds Underwriters (Lloyds)	All Terrain Vehicle	0.00%
Lloyds Underwriters (Lloyds)	Snow Vehicles	0.00%
Northbridge General Insurance Corporation	Motorhomes	0.00%
Northbridge General Insurance Corporation	Motorcycles & Mopeds	0.00%
Northbridge General Insurance Corporation	Camper Trailers	0.00%
Northbridge General Insurance Corporation	Antique & Classic Vehicles	0.00%
Northbridge General Insurance Corporation	Snow Vehicles	0.00%
Northbridge General Insurance Corporation	All Terrain Vehicle	0.00%
Northbridge General Insurance Corporation	Ambulances	0.00%
Northbridge General Insurance Corporation	Public Buses	0.00%
Northbridge General Insurance Corporation	Private Buses	0.00%
Northbridge General Insurance Corporation	School Buses	0.00%
Northbridge General Insurance Corporation	Taxi & Limousine	0.00%
Pembridge Insurance Company	Motorcycles	0.00%
Pembridge Insurance Company	Snow Vehicles	0.02%
Pembridge Insurance Company	Motorhomes	0.00%

Miscellaneous Vehicles (cont.)

Insurance Company Name	Filing Class	Approved Rate Change
Pembridge Insurance Company	Camper Trailers	0.00%
Pembridge Insurance Company	All Terrain Vehicle	0.00%
Personal Insurance Company	Snow Vehicles	0.00%
Personal Insurance Company	Motorhomes,Campers,Trailers	0.00%
Personal Insurance Company	Motorcycles	0.00%
Personal Insurance Company	Mopeds	0.00%
Personal Insurance Company	Camper Trailers	0.00%
Personal Insurance Company	All Terrain Vehicle	0.00%
Portage la Prairie Mutual Insurance Company	Camper Trailers	0.00%
Portage la Prairie Mutual Insurance Company	Snow Vehicles	0.00%
Portage la Prairie Mutual Insurance Company	All Terrain Vehicle	0.00%
Primum Insurance Company	Snow Vehicles	0.00%
Primum Insurance Company	Motorcycles	0.00%
Primum Insurance Company	Camper Trailers	0.00%
Primum Insurance Company	All Terrain Vehicle	0.00%
Primum Insurance Company	Motorhomes	5.86%
Promutuel de l'Estuaire Société mutuelle d'assurance générale	Camper Trailers	0.00%
Promutuel de l'Estuaire Société mutuelle d'assurance générale	Snow Vehicles	0.00%
Promutuel de l'Estuaire Société mutuelle d'assurance générale	All Terrain Vehicle	0.00%
Promutuel de l'Estuaire Société mutuelle d'assurance générale	Motorcycles & Mopeds	0.00%
Royal and Sun Alliance Insurance Company of Canada	Snow Vehicles	0.00%
Royal and Sun Alliance Insurance Company of Canada	Motorhomes	0.00%
Royal and Sun Alliance Insurance Company of Canada	Motorcycles	0.00%
Royal and Sun Alliance Insurance Company of Canada	Camper Trailers	0.00%
Royal and Sun Alliance Insurance Company of Canada	All Terrain Vehicle	0.00%
Royal and Sun Alliance Insurance Company of Canada	Antique & Classic Vehicles	0.00%
Royal and Sun Alliance Insurance Company of Canada	Ambulances	0.00%
Royal and Sun Alliance Insurance Company of Canada	All Buses	0.00%
Royal and Sun Alliance Insurance Company of Canada	Taxis	0.00%
Scottish & York Insurance Company Limited	All Terrain Vehicle	0.00%
Scottish & York Insurance Company Limited	Snow Vehicles	0.00%
Scottish & York Insurance Company Limited	Motorhomes	0.00%
Scottish & York Insurance Company Limited	Motorcycles	0.00%
Scottish & York Insurance Company Limited	Camper Trailers	0.00%
Security National Insurance Company	Snow Vehicles	0.00%
Security National Insurance Company	Motorcycles	0.00%
Security National Insurance Company	Camper Trailers	0.00%
Security National Insurance Company	All Terrain Vehicle	0.00%
Security National Insurance Company	Motorhomes	2.86%
Sovereign General Insurance Company	All Other Public	0.00%
Sovereign General Insurance Company	Ambulances	0.00%
Sovereign General Insurance Company	All Terrain Vehicle	-21.24%
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%

Miscellaneous Vehicles (cont.)

Insurance Company Name	Filing Class	Approved Rate Change
Sovereign General Insurance Company	School Buses	0.00%
Sovereign General Insurance Company	Snow Vehicles	55.75%
Sovereign General Insurance Company	Motorcycles & Mopeds	0.00%
Sovereign General Insurance Company	Taxis	0.00%
TD Home and Auto Insurance Company	Snow Vehicles	0.00%
TD Home and Auto Insurance Company	Motorcycles	0.00%
TD Home and Auto Insurance Company	Camper Trailers	0.00%
TD Home and Auto Insurance Company	All Terrain Vehicle	0.00%
TD Home and Auto Insurance Company	Motorhomes	-4.54%
Tokio Marine & Nichido Fire Insurance Co., Ltd.	Snow Vehicles	0.00%
Tokio Marine & Nichido Fire Insurance Co., Ltd.	Motorhomes	0.00%
Tokio Marine & Nichido Fire Insurance Co., Ltd.	Motorcycles & Mopeds	0.00%
Tokio Marine & Nichido Fire Insurance Co., Ltd.	Camper Trailers	0.00%
Tokio Marine & Nichido Fire Insurance Co., Ltd.	All Terrain Vehicle	0.00%
Tokio Marine & Nichido Fire Insurance Co., Ltd.	Antique & Classic Vehicles	0.00%
Tokio Marine & Nichido Fire Insurance Co., Ltd.	Ambulances	0.00%
Tokio Marine & Nichido Fire Insurance Co., Ltd.	Public Buses	0.00%
Tokio Marine & Nichido Fire Insurance Co., Ltd.	Private Buses	0.00%
Tokio Marine & Nichido Fire Insurance Co., Ltd.	School Buses	0.00%
Tokio Marine & Nichido Fire Insurance Co., Ltd.	Taxi & Limousine	0.00%
Traders General Insurance Company	Snow Vehicles	0.00%
Traders General Insurance Company	Motorhomes,Campers,Trailers	0.00%
Traders General Insurance Company	Motorcycles & Mopeds	0.00%
Traders General Insurance Company	Camper Trailers	0.00%
Traders General Insurance Company	All Terrain Vehicle	0.00%
Trafalgar Insurance Company of Canada	Snow Vehicles	Review in Progress
Trafalgar Insurance Company of Canada	Antique & Classic Vehicles	Review in Progress
Trafalgar Insurance Company of Canada	All Terrain Vehicle	Review in Progress
Trafalgar Insurance Company of Canada	Motorhomes	Review in Progress
Trafalgar Insurance Company of Canada	Motorcycles	Review in Progress
Trafalgar Insurance Company of Canada	Camper Trailers	Review in Progress
Unifund Assurance Company	Snow Vehicles	0.00%
Unifund Assurance Company	Motorhomes	0.00%
Unifund Assurance Company	Motorcycles & Mopeds	0.00%
Unifund Assurance Company	Camper Trailers	0.00%
Unifund Assurance Company	All Terrain Vehicle	0.00%
United General Insurance Corporation	Snow Vehicles	0.00%
United General Insurance Corporation	Motorcycles	0.00%
United General Insurance Corporation	All Terrain Vehicle	0.00%
Verassure Insurance Company	Snow Vehicles	0.00%
Verassure Insurance Company	Motorhomes	0.00%
Verassure Insurance Company	Antique & Classic Vehicles	0.00%
Verassure Insurance Company	Motorcycles & Mopeds	0.00%
Verassure Insurance Company	Camper Trailers	0.00%
Verassure Insurance Company	All Terrain Vehicle	0.00%
Verassure Insurance Company	Ambulances	0.00%

Miscellaneous Vehicles (cont.)

Insurance Company Name	Filing Class	Approved Rate Change
Verassure Insurance Company	Public Buses	0.00%
Verassure Insurance Company	Private Buses	0.00%
Verassure Insurance Company	School Buses	0.00%
Verassure Insurance Company	Taxi & Limousine	0.00%
Wawanesa Mutual Insurance Company	Motorcycles & Mopeds	0.00%
Wawanesa Mutual Insurance Company	Snow Vehicles	0.00%
Wawanesa Mutual Insurance Company	Camper Trailers	0.00%
Wawanesa Mutual Insurance Company	All Terrain Vehicle	0.00%
XL Specialty Insurance Company	Taxi & Limousine	0.00%
XL Specialty Insurance Company	School Buses	0.00%
XL Specialty Insurance Company	Public Buses	0.00%
XL Specialty Insurance Company	Private Buses	0.00%
XL Specialty Insurance Company	Ambulances	0.00%
XL Specialty Insurance Company	Snow Vehicles	0.00%
XL Specialty Insurance Company	Motorcycles & Mopeds	0.00%
XL Specialty Insurance Company	Motorhomes	0.00%
XL Specialty Insurance Company	All Terrain Vehicle	0.00%
Zenith Insurance Company	Motorhomes	0.00%
Zenith Insurance Company	Snow Vehicles	0.00%
Zenith Insurance Company	Motorcycles & Mopeds	0.00%
Zenith Insurance Company	Camper Trailers	0.00%
Zenith Insurance Company	All Terrain Vehicle	0.00%
Zenith Insurance Company	Antique & Classic Vehicles	0.00%

Non-Rate Filings

Insurance Company Name	Filing Class
Aviva General Insurance Company	Motorcycles
Aviva Insurance Company of Canada	Interurban
Aviva Insurance Company of Canada	Commercial
CAA Insurance Company	Private Passenger
CAA Insurance Company	Private Passenger
Certas Home and Auto Insurance Company	Snow Vehicles
Certas Home and Auto Insurance Company	All Terrain Vehicle
Co-operators General Insurance Company	Private Passenger
CUMIS General Insurance Company	Private Passenger
Echelon General Insurance Company	Private Passenger
Economical Mutual Insurance Company	Private Passenger
Elite Insurance Company	Motorcycles
Facility Association	Interurban
Facility Association	Commercial
Facility Association	Commercial
Facility Association	Private Passenger
Insurance Company of Prince Edward Island	Private Passenger
Insurance Company of Prince Edward Island	Commercial and Interurban Combined

Non-Rate Filings (cont.)

Insurance Company Name	Filing Class
Intact Insurance Company	Commercial and Interurban Combined
Intact Insurance Company	Commercial and Interurban Combined
Intact Insurance Company	Commercial and Interurban Combined
Pafco Insurance Company	Private Passenger
Pafco Insurance Company	Private Passenger
Pembridge Insurance Company	Private Passenger
Personal Insurance Company	Snow Vehicles
Personal Insurance Company	All Terrain Vehicle
Primmum Insurance Company	Motorcycles
Primmum Insurance Company	Motorhomes
Primmum Insurance Company	Private Passenger
Primmum Insurance Company	Private Passenger
Royal and Sun Alliance Insurance Company of Canada	Interurban
Royal and Sun Alliance Insurance Company of Canada	Commercial
Security National Insurance Company	Motorcycles
Security National Insurance Company	Motorhomes
Security National Insurance Company	Private Passenger
Security National Insurance Company	Private Passenger
Sonnet Insurance Company	Private Passenger
Sonnet Insurance Company	Private Passenger
TD Home and Auto Insurance Company	Motorcycles
TD Home and Auto Insurance Company	Motorhomes
TD Home and Auto Insurance Company	Private Passenger
TD Home and Auto Insurance Company	Private Passenger

APPENDIX B- FINANCIAL STATEMENTS



Source: unsplash.com

NEW BRUNSWICK INSURANCE BOARD

Financial Statements

Year Ended March 31, 2020

NEW BRUNSWICK INSURANCE BOARD

Index to Financial Statements

Year Ended March 31, 2020

	Page
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Operations and Accumulated Surplus	4
Statement of Changes in Net Financial Assets (Liabilities)	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 10



Harbour Building, Suite 401
133 Prince William Street
Saint John, New Brunswick E2L 2B5
phone: 506 642-4950
fax: 506 642-4919
web: jkwhittaker.com

INDEPENDENT AUDITOR'S REPORT

To the Members of New Brunswick Insurance Board

Opinion

We have audited the financial statements of New Brunswick Insurance Board (the Board), which comprise the statement of financial position as at March 31, 2020, and the statements of operations and accumulated surplus, changes in net financial assets (liabilities) and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 2020, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Board in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Board's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Board or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Board's financial reporting process.

(continues)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Board's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Board's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Board to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

J.K. Whitaker + Associates

Saint John, NB


August 6, 2020


CHARTERED PROFESSIONAL ACCOUNTANTS

NEW BRUNSWICK INSURANCE BOARD
Statement of Financial Position
March 31, 2020

	2020	2019
FINANCIAL ASSETS		
Cash (<i>Notes 2, 8</i>)	\$ 1,893,314	\$ 2,447,015
Accounts receivable	1,219,432	18,349
Harmonized sales tax recoverable	59,381	168,055
	3,172,127	2,633,419
LIABILITIES		
Accounts payable and accrued liabilities	426,822	355,885
Employee deductions payable	26,883	24,491
Deferred assessments (<i>Note 5</i>)	2,879,619	2,384,667
	3,333,324	2,765,043
NET FINANCIAL ASSETS (LIABILITIES)	(161,197)	(131,624)
NON-FINANCIAL ASSETS		
Prepaid expenses	26,561	26,641
Tangible capital assets (<i>Notes 2, 3</i>)	134,636	104,983
	161,197	131,624
ACCUMULATED SURPLUS	\$ -	\$ -

Approved by the Board


 _____ Chairperson


 _____ Vice-Chairperson

See notes to financial statements

NEW BRUNSWICK INSURANCE BOARD
Statement of Operations and Accumulated Surplus
Year Ended March 31, 2020

	Budget 2020	Actual 2020	Actual 2019
RECEIPTS (Note 2)			
Assessments	\$ 2,201,130	\$ 2,464,553	\$ 2,062,353
Interest	15,000	15,551	15,393
Other	100	100	77
	<u>2,216,230</u>	<u>2,480,204</u>	<u>2,077,823</u>
OPERATING DISBURSEMENTS			
Wages, benefits and other employee costs (Note 4)	881,027	881,220	824,523
Rent (Note 9)	122,643	122,919	121,553
Training and education	56,000	61,974	37,655
Consulting services	50,000	57,287	39,033
Office expenses	21,500	31,703	24,973
Telecommunications	18,000	20,652	21,514
Meetings and conferences	15,000	14,029	7,641
Audit and accounting	15,000	13,500	15,309
Communications	10,000	7,174	5,114
Equipment expense	-	2,341	-
Equipment leases (Note 9)	2,060	2,042	2,042
Interest and bank charges	2,000	1,960	2,637
Insurance	3,000	1,467	1,422
Amortization	35,000	40,318	25,376
	<u>1,231,230</u>	<u>1,258,586</u>	<u>1,128,792</u>
REGULATORY DISBURSEMENTS			
Actuarial services	585,000	759,785	590,724
Board compensation	125,000	125,796	119,000
Legal	50,000	106,420	81,525
Consulting services	50,000	62,677	59,210
Hearing expenses	50,000	57,448	31,894
Translation and transcription	15,000	45,544	19,938
Board member training & education	55,000	32,522	31,939
Travel	30,000	31,226	13,421
Board member meetings & conferences	25,000	200	1,380
	<u>985,000</u>	<u>1,221,618</u>	<u>949,031</u>
ANNUAL SURPLUS	-	-	-
ACCUMULATED SURPLUS - BEGINNING OF YEAR	-	-	-
ACCUMULATED SURPLUS - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See notes to financial statements

NEW BRUNSWICK INSURANCE BOARD
Statement of Changes in Net Financial Assets (Liabilities)
Year Ended March 31, 2020

	2020	2019
ANNUAL SURPLUS	<u>\$ -</u>	<u>\$ -</u>
Purchase of tangible capital assets	(69,972)	(91,700)
Amortization of tangible capital assets	40,318	25,376
Decrease (increase) in prepaid expenses	<u>81</u>	<u>(14,675)</u>
	<u>(29,573)</u>	<u>(80,999)</u>
DECREASE IN NET FINANCIAL ASSETS	(29,573)	(80,999)
NET FINANCIAL ASSETS (LIABILITIES) - BEGINNING OF YEAR	<u>(131,624)</u>	<u>(50,625)</u>
NET FINANCIAL ASSETS (LIABILITIES) - END OF YEAR (Note 8)	<u>\$ (161,197)</u>	<u>\$ (131,624)</u>

See notes to financial statements

NEW BRUNSWICK INSURANCE BOARD

**Statement of Cash Flows
Year Ended March 31, 2020**

	2020	2019
OPERATING ACTIVITIES		
Annual surplus	\$ -	\$ -
Item not affecting cash:		
Amortization of tangible capital assets	<u>40,318</u>	25,376
	<u>40,318</u>	25,376
Changes in non-cash working capital:		
Accounts receivable	(1,201,084)	116,819
Accounts payable and accrued liabilities	70,937	108,589
Employee deductions payable	2,393	3,803
Harmonized sales tax payable	108,674	(150,890)
Deferred assessments	494,952	210,741
Prepaid expenses	<u>81</u>	(14,676)
	<u>(524,047)</u>	274,386
	<u>(483,729)</u>	299,762
INVESTING ACTIVITY		
Purchase of tangible capital assets	<u>(69,972)</u>	(91,700)
INCREASE (DECREASE) IN CASH FLOW	(553,701)	208,062
Cash - beginning of year	<u>2,447,015</u>	2,238,953
CASH - END OF YEAR (Note 8)	<u>1,893,314</u>	<u>2,447,015</u>
CASH FLOWS SUPPLEMENTARY INFORMATION		
Interest received	<u>\$ 15,551</u>	<u>\$ 15,393</u>

See notes to financial statements

NEW BRUNSWICK INSURANCE BOARD

Notes to Financial Statements

Year Ended March 31, 2020

1. PURPOSE OF THE BOARD

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

Basis of presentation

The financial statements were prepared in accordance with Canadian public sector accounting standards (GAAP). Canadian public sector accounting standards are part of Canadian GAAP.

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.

Revenue recognition

New Brunswick Insurance Board 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)

Tangible capital assets

Tangible capital assets are stated at cost or deemed cost less accumulated amortization and are amortized over their estimated useful lives on a straight-line basis at the following annual rates:

Computer equipment	33.33%
Motor vehicles	25.00%
Computer software	20.00%
Furniture and fixtures	20.00%
Leasehold improvements	20.00%
Systems software	20.00%

The board regularly reviews its tangible capital assets to eliminate obsolete items. Government grants are treated as a reduction of tangible capital assets cost.

Tangible capital assets acquired during the year but not placed into use are not amortized until they are placed into use.

(continues)

NEW BRUNSWICK INSURANCE BOARD

Notes to Financial Statements

Year Ended March 31, 2020

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Measurement uncertainty

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of receipts and disbursements during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

Financial instruments policy

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

3. TANGIBLE CAPITAL ASSETS

	Cost	Accumulated amortization	2020 Net book value	2019 Net book value
Computer equipment	\$ 335,729	\$ 248,670	\$ 87,059	\$ 60,292
Motor vehicles	21,547	13,467	8,080	10,774
Computer software	182,153	143,493	38,660	33,038
Furniture and fixtures	108,440	107,603	837	879
Leasehold improvements	28,351	28,351	-	-
Systems software	183,190	183,190	-	-
	<u>\$ 859,410</u>	<u>\$ 724,774</u>	<u>\$ 134,636</u>	<u>\$ 104,983</u>

(continues)

NEW BRUNSWICK INSURANCE BOARD

Notes to Financial Statements

Year Ended March 31, 2020

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, 2020, the NBIB's pension contributions amounted to \$89,212 (2019: \$86,196).

5. 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.

6. RELATED PARTY TRANSACTIONS

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

7. FINANCIAL INSTRUMENTS

The board is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the board's risk exposure and concentration as of March 31, 2020.

(a) 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.

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.

(continues)

NEW BRUNSWICK INSURANCE BOARD

Notes to Financial Statements

Year Ended March 31, 2020

7. FINANCIAL INSTRUMENTS *(continued)*

(b) Liquidity risk

Liquidity risk is the risk that the NBIB will encounter difficulty in meeting obligations associated with financial liabilities. The Board is exposed to the risk mainly in respect of its receipt of funds from its customers and other related sources, accounts payable and accrued liabilities and other obligations.

(c) 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.

(d) 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.

Unless otherwise noted, it is management's opinion that the board is not exposed to significant other price risks arising from these financial instruments.

8. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash in bank.

9. COMMITMENTS

The NBIB renegotiated an operating lease of its office premises for a period of 5 years commencing January 1, 2016. The minimum annual payments under the lease terms are as follows:

April 1, 2016 - December 31, 2020: \$105,219

The NBIB negotiated an operating lease for a new Xerox Multifunction printer in April, 2020. The minimum annual payments under the lease terms are as follows:

May 1, 2020 - March 31, 2021: \$1,246

April 1, 2021 - March 31, 2025: \$1,662

April 1, 2025 - October 31, 2025: \$970

10. SUBSEQUENT EVENT

The following event occurred subsequent to the fiscal year end:

Office lease

As of December 31, 2020 the operating lease of the NBIB's office premises will expire and the landlord has stated that there is no intent to renew the lease at that time. The NBIB is currently in negotiations to secure new premises.

As a result, it is expected that the NBIB will incur additional operating expenses in the next fiscal year as a result of the move and set up at a new location.