



# 2006 ANNUAL REPORT



New Brunswick  
**Insurance Board**

Commission des **assurances**  
du Nouveau Brunswick





March 1, 2007

The Honourable Thomas J. Burke, Q.C.  
Minister of Justice and Consumer Affairs  
Province of New Brunswick  
PO Box 6000  
Fredericton, NB  
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Dear Minister:

On behalf of the Members of the Board of the New Brunswick Insurance Board and in compliance with Section 19.9 of the *Insurance Act*, I am pleased to submit our annual report for the 2006 calendar year. The report contains an overview of our activities for the year as well as our audited financial statements for the 2005-2006 fiscal year ending March 31, 2006.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read 'Paul D'Astous', with a blue horizontal line underneath.

Paul D'Astous  
Chairman & CEO  
New Brunswick Insurance Board



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## I. MESSAGE FROM THE CHAIRMAN

The New Brunswick Insurance Board (NBIB) has been journeying along the road for two strong years, providing a “made-in-New Brunswick solution” for fair automobile insurance rates for consumers. I am proud to say the NBIB has evolved into a well-respected professional organization that continues to meet its goals and objectives.



Appointed Chairman in 2006, following a one-and-a-quarter year term serving the Board as Vice-Chair, I prepared for a quick start! Numerous initiatives and top priorities had to be addressed and I applied my experience to activities such as the recent 2006 rate filing process. Still a relatively new Board, we delivered just and reasonable rates for drivers, and we continue to create a more competitive environment to attract insurance companies to this province. Looking back, here is a brief summary of the accomplishments resulting from the leadership role of the NBIB.

We successfully met a strict deadline of January 1, 2006, in implementing our first full year of rate decisions for private passenger, as well as commercial & miscellaneous vehicles. Additionally, the Board worked to ensure industry properly implemented Direct Compensation Property Damage (DCPD) coverage for commercial and miscellaneous vehicles. This coverage allowed more appropriate pricing for insuring motorcycles, snowmobiles, all-terrain vehicles and mopeds.

To fulfill our stewardship role, we educated New Brunswick drivers of their responsibility with regard to auto insurance. That was the impetus for our “You’re in the Driver’s Seat!” Strategic Awareness Campaign in which we urged drivers to “Compare, Consult and Choose”. This integrated campaign included a number of engaging “Open-House” public information sessions held throughout the Province. In addition, our direct mail programme opened a dialogue with every household in New Brunswick.

The NBIB continues to work closely with the Office of the Consumer Advocate for Insurance. Both organizations worked in collaboration on initiatives throughout the year, including the Open House sessions. The Board recognizes the importance of a strong relationship with the office that deals directly with New Brunswick drivers. Our close working relationship keeps the Board informed of important issues, enabling us to find solutions proactively. Developing a strong relationship with the Consumer Advocate will continue to be a priority for the Board as we stay in tune with New Brunswick drivers.

On November 15, 2006, the NBIB released 43 rate decisions on companies writing private passenger insurance in New Brunswick. These decisions resulted in an overall combined reduction of 7.6 per cent which became effective January 1, 2007.

Further to the provincial election in the fall, Premier Shawn Graham’s government fulfilled an election promise in establishing a negotiation process between the insurance industry and the provincial government. In addition to the already approved reduction announced by the NBIB, this agreement, resulting from the negotiation, further reduces average rates to a cumulative reduction of 13.5 per cent for 2007 rates versus 2006. This will be effective March 1, 2007. The agreement also requires industry to eliminate gender as a rating criterion, and territories as they exist today will be eliminated by 2008.

Rates have gone down a total of 32 per cent over the last 30 months, according to the Insurance Bureau of Canada (IBC). When one combines the reductions seen in the last 30 months with further reductions in 2007, we should see average reductions of over 40 per cent by December 2007.

The achievements in 2006 send a message that New Brunswick has a vibrant insurance market, attracting more insurance companies to sell their products here. We continue to see a number of insurance companies interested in selling auto insurance in our Province.

I am confident in the role the Board will continue to play in the success of automobile insurance in New Brunswick; therefore, I look forward to the opportunities and challenges that face us up ahead. The Board, along with its management and staff, are committed to keeping auto insurance on a steady course. Together with government and industry partners, we can deliver a stable insurance market in a competitive environment for New Brunswick consumers.

## II. INTRODUCTION

The New Brunswick Insurance Board (NBIB) is a quasi-judicial administrative tribunal established by the Government of New Brunswick in 2004 as the agency that regulates rates for automobile insurance. 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. The Board, staff and actuaries review these filings in order to ensure the proposed rates are just and reasonable. The NBIB also educates consumers on automobile insurance issues.

The Board's mission is to ensure that New Brunswick auto insurance rates are:

- Just and reasonable
- Based on New Brunswick driver experience
- Based on New Brunswick company experience
- Comparable to other provinces in Atlantic Canada

This report highlights activities and accomplishments during the 2006 calendar year: the Board's second full-calendar year of operation. By legislation, the NBIB is obligated to report its previous year's activities to the Minister of Justice by March 1st.

As legislated by the *Insurance Act*, the operating costs of the NBIB are charged back to the insurance industry through annual assessments.

## III. 2006 – MAJOR ACCOMPLISHMENTS

- Launched public awareness campaign
- Reduced overall combined average rates for private passenger auto by 7.6 per cent
- Implemented change in regulation to remove gender as a rating criteria effective March 1, 2007
- Ordered substantial rate reduction on DCPD for recreational use vehicles for Facility Association (FA)

## IV. THE YEAR IN REVIEW

### a. Raising Awareness of NBIB and Role and Responsibility of Consumers

#### *Open House Public Information Sessions*

In May 2006, the NBIB launched a public awareness campaign. Members of the NBIB, in collaboration with the Office of the Consumer Advocate for Insurance, invited New Brunswick drivers to Open House public information sessions as part of the "You're in the Driver's Seat!" information campaign.

Board members extended invitations to meet with community leaders, brokers and industry representatives in seven locations around the Province. The intent was to provide information on automobile insurance in New Brunswick; talk about the NBIB's accomplishments to-date; discuss ongoing work; and obtain feedback through general discussions.

The message was loud and clear: New Brunswick drivers were relatively satisfied with the reforms and the results to-date. However, the Board will continue to be vigilant and proactive on issues that arise in the future and will continue to work cooperatively with the Office of the Consumer Advocate for Insurance.

## *Direct Mail Campaign*

Canada Post delivered professionally designed information brochures to approximately 324,000 households in New Brunswick between June 28 - 30, 2006.

The objective of this element of the strategic awareness campaign was to educate consumers on the role of the NBIB and its accomplishments, while providing contact information for both the NBIB and the Office of the Consumer Advocate for Insurance.

### *Introduction of Official NBIB “Brand”*

The NBIB introduced its new logo in June, 2006 with a branding concept. The branding addressed the Board's need to establish an effective bilingual identity for all Board materials including the direct mail brochures. Used consistently, the logo will soon be commonly identified and will impress upon New Brunswick drivers that there is an agency looking after their needs.

#### **b. NBIB Ordered Substantial Rate Reduction on DCPD for Recreational Use Vehicles for Facility Association (FA)**

Effective January 1st, Direct Compensation Property Damage (DCPD) rates were introduced for commercial and miscellaneous vehicles which included motorcycles, snowmobiles, all-terrain vehicles and mopeds. This coverage allows insurance companies to quickly have a consumer's vehicle repaired when a driver is involved in a “not at fault” accident.

In the spring, concerns regarding recreational use vehicles were identified during open house sessions and by the Consumer Advocate for Insurance. The arrival of DCPD coverage created rate shock for inexperienced motorcycle drivers. It was identified that DCPD rates had caused an unexpected increase in premiums.

As a result of further investigation and in cooperation with FA, the NBIB ordered a substantial rate reduction of up to 90% on DCPD rates for recreational use vehicles for FA clients in August. This reduction was retroactive to July 1, 2006.

#### **c. Private Passenger, Commercial and Miscellaneous Rate Filing Process**

September 15th was once again the date that automobile insurance companies doing business in New Brunswick were required to file their proposed private passenger rates for 2007.

It should be noted that prior to the fall filings, the Board had asked PricewaterhouseCoopers (PwC) for its professional opinion on where it believed insurance rates in N.B. should be for 2007.

March 15th is the new filing deadline for all auto insurance companies doing business in New Brunswick to file their proposed rates for commercial and miscellaneous vehicles. The Board recognized the many advantages of this new approach. It allowed both the Board and industry to:

- Spread the workload for the different classes of vehicles across two separate filing sessions
- Focus more attention on specific classes of vehicles in order to ensure fairness and consistency
- Evaluate more accurately the information presented to it in order to establish reasonable rates for all parties concerned

The types of vehicles in these applications include: taxis, delivery vehicles, all-terrain vehicles, buses, motor homes, semi-trailers, motorcycles, snowmobiles, etc.

Please note that not all companies write private passenger, commercial and miscellaneous policies.

#### **d. New Private Passenger Automobile Insurance Rates for New Brunswick Consumers**

On November 9th, the NBIB issued 43 decisions on companies writing private passenger insurance in New Brunswick. For those writing standard risk automobile insurance in the Province, the overall proposed average rate reduction for 2006 would be 7.6 per cent effective January 1, 2007.

As a result of the agreement between Government and Industry, the NBIB issued 43 amendments to the approved private passenger rate decisions for 2007. The agreement asked for a further reduction to the overall average rates to a cumulative total of 13.5 per cent effective March 1, 2007. Also effective March 1, 2007 new regulations will require that gender be removed as a rating criterion for all classes of vehicles. The Board will also work with Government and Industry to implement any changes to existing rating territories.

#### **e. Decision to Have all Facility Association Filings Reviewed through Public Hearings**

In 2006, a decision was made to conduct all FA filings through a public hearing process for the foreseeable future. The Board felt that as the “insurer of last resort” in the Province, FA should be subject to a higher level of scrutiny.

On December 12, 2006, a public hearing was held to review the proposed 2007 rates and rating rules for FA private passenger automobile insurance in the province of New Brunswick. During the one-day hearing, the Consumer Advocate for Insurance was present as an intervener.

On December 20, 2006, the Board issued a decision that ordered FA to reduce rates. As a result of the Government agreement with Industry, FA also removed gender as a rating criterion for its clients. The impact, inclusive of gender removal, resulted in an overall average rate reduction of 14.2 per cent.

Facility Association is an association of all automobile insurance providers operating in New Brunswick. FA's mandate is to insure the availability of auto insurance to all owners and operators of motor vehicles who otherwise would have difficulty in obtaining insurance. It is sometimes referred to as the “insurer of last resort”. The population in FA consists of approximately 2.5 per cent of the market, which translates into 5 per cent of the total premiums in the New Brunswick marketplace.

#### **f. Board to Address Issue of Confidentiality**

The issue of confidentiality with regard to rate filings was once again raised in 2006. The NBIB is bound by the *Insurance Act* which states that cost and other confidential information remain undisclosed “unless in the opinion of the Board such publication or revelation is necessary in the public interest” (s.19.61 *Insurance Act*).

In the interest of transparency in the process, the NBIB plans to hold a generic hearing in 2007 to receive arguments on this issue. The process for future filings and disclosure procedures will be based on the results of this hearing.

**Please note: Refer to Appendix A for a complete list of private passenger rate changes approved by the New Brunswick Insurance Board in 2006.**

## **V. THE BOARD**

The primary focus of the Board is to act as a quasi-judicial administrative tribunal to regulate auto insurance rates in the province of New Brunswick. This process is accomplished by holding hearings to review the filings of insurance companies offering auto insurance for private passenger, commercial and miscellaneous vehicles.



Effective through December 6, 2006, the NBIB was made up of the following 8 members:

Name (Alphabetical order)	Location	Title
Paul D'Astous	Saint John	Chairman
Joanne Cowan-McGuigan	Rothsay	Member
Anna Guimond	Edmundston	Member
Émilien LeBreton	Néguac	Member
Don Lusby	Moncton	Member
Guildard Pelletier	St-Léonard	Member
Richard Tingley	Fredericton	Member
Elsie Wayne	Saint John	Member

The full Board met three times in 2006: once for its Annual Meeting; once for a two-day training session and to hold a hearing on private passenger rates for IAO; and once for a public hearing for Facility Association. Individual panels, made up of NBIB members, met regularly to review various filings.

A Vice-Chair and four new members were appointed by the Minister of Justice, respectively, effective December 7, 2006. Vincent Duff of Hampton will serve as the new Vice-Chairman for a three-year term. The four new members are: Ferne Ashford, Fredericton; Gerard Hall, Bois Gagnon; Al Kavanaugh, Riverview; and James Mockler, Hanwell. They are also appointed for three-year terms.

The Board would like to recognize the hard work and dedication of those members who are stepping down. They have all made lasting contributions to improving automobile insurance in New Brunswick.

#### *The Chairman & CEO*

The Chair is responsible for administering the *Insurance Act* and for the overall performance and management of the Board. The Chair is also the Chief Executive Officer (CEO) of the Board.

## **VI. NBIB OPERATIONS**

The NBIB maintains an office in Saint John and employed 8 highly qualified and experienced full-time staff in 2006.

Staff Member List	
Paul D'Astous	Chairman & CEO
C. Kevin Duff	Director of Operations and Secretary of the Board
Rachel Ahrens	Executive Assistant
Lisa Ferguson	Director of Communications
Kelly Ferris	Assistant Secretary of the Board and Manager of Insurance Services
Tina Jacob Hansen	Manager, Administrative Support Services
Ning Li	Actuarial Assistant
Erin Tait	Administrative Assistant

## Appendix A

### New Brunswick Insurance Board Summary of 2006 Rate Decisions

Company	Class(es)	Decision date(s). The dates below reflect when the decisions were made and not the effective date of the new rate. Dates when new rates were in effect vary by decision.	Average change(s). These changes are averages only and do not take into account individual circumstances and/or policies.
Allstate Insurance Company of Canada	Private passenger	1) May 18, 2006 2) Nov. 9, 2006	-0.66% -18.35%
Aviva Insurance Company of Canada	Private passenger	Nov. 9, 2006	-11%
AXA Insurance (Canada)	Private passenger	1) May 18, 2006 (Integration of Citadel Policies) 2) Nov. 9, 2006	-5.87% -1.7%
CAA Insurance Company (Ontario)	Private passenger	Nov. 9, 2006	-10.6%
Chubb Insurance Company	Private Passenger	Nov. 9, 2006	Re- entry to market
Co-operators General Insurance Company	Private passenger	Nov. 9, 2006	-8.06%
Coseco Insurance Company	Private passenger	Nov. 9, 2006	-1.1%
CUMIS General Insurance Company	Private passenger	Nov. 9, 2006	-1.1%
(The) Dominion of Canada General Insurance Company	Private passenger	Nov. 9, 2006	-4.24%
Echelon General Insurance Company	Private passenger	Nov. 9, 2006	-4.5%

Economical Mutual Insurance Company	Private passenger	Nov. 9, 2006	-2.7%
Elite Insurance Company	Private passenger	Nov. 9, 2006	-1.4%
Federal Insurance Company	Private passenger		Initial Market Entry
Federated Insurance Company of Canada	Private passenger	Nov. 9, 2006	-6.1%
Federation Insurance Company of Canada	Private passenger	Nov. 9, 2006	-7.9%
IAO Actuarial Consulting Services Inc.	Private passenger	Aug. 31, 2006	-11.60%
ING Insurance Company of Canada	Private passenger	Nov. 9, 2006	-5.19%
ING Novex Insurance Company of Canada	Private passenger	Nov. 9, 2006	-4.05%
Insurance Company of Prince Edward Island	Private passenger	Nov. 9, 2006	Re-entry to Market
Lombard General Insurance Company of Canada	Private passenger	Nov. 9, 2006	-8.4%
Lombard Insurance Company	Private passenger	Nov. 9, 2006	-8.4%
Mitsui Sumitomo Insurance Company	Private passenger		Re-entry to market
Pafco Insurance Company	Private passenger	1) April 19, 2006 2) Nov. 9, 2006	-7.8% -9.95%
Pembridge Insurance Company	Private passenger	1) May 18, 2006 2) Nov. 9, 2006	-1.16% -21.22%
(The) Personal Insurance Company	Private passenger	Nov. 9, 2006	-2.63%
Perth Insurance Company	Private passenger	Nov. 9, 2006	-0.9%
(The) Portage la Prairie Mutual Insurance Company	Private passenger	Nov. 9, 2006	-16%
Primum Insurance Company	Private passenger	Nov. 9, 2006	-8.6%



Promutuel Gaspésie - Les Iles	Private passenger	1) June 5, 2006 2) Nov. 9, 2006	Initial filing Adopt IAO  Adopt IAO -11.6%
Promutuel Témiscouata	Private passenger	1) June 5, 2006 2) Nov. 9, 2006	Initial filing Adopt IAO  Adopt IAO -11.6%
RBC Insurance	Private passenger	Nov 9, 2006	-10%
Royal & Sun Alliance Insurance Company of Canada	Private passenger	Nov. 9, 2006	-3%
Scottish & York Insurance Company Limited	Private passenger	Nov. 9, 2006	-11%
Security National Insurance Company	Private passenger	Nov. 9, 2006	-7.2%
Sovereign General	Private passenger	1) June 15, 2006 2) Nov 15, 2006	Re-entry to market -20.60%
State Farm Mutual Automobiles Insurance Company	Private passenger	1) May 18, 2006 Plan A Plan B  2) Nov. 9, 2006 <u>Plan A</u> <u>Plan B</u>	-6.9% -4.1%  -2.0% -1.6%
TD Home and Auto Insurance Company	Private passenger	Nov. 9, 2006	-6.0%
Tokio Marine & Nichido Fire Insurance Co. Ltd.	Private passenger	Nov. 9, 2006	-8.4%
Traders General Insurance Company	Private passenger	Nov. 9, 2006	-5.4%
Trafalgar Insurance Company of Canada	Private passenger	Nov. 9, 2006	-5.38%
Unifund Assurance Company	Private passenger	1) May 19, 2006 2) Nov. 9, 2006	-7.2 -2.5%
United General Insurance Corporation	Private passenger	Nov. 9, 2006	-10.6%
Waterloo Insurance Company	Private passenger	Nov. 9, 2006	-1.9%

(The) Wawanesa Mutual Insurance Company	Private passenger	Nov. 9, 2006	-7.89%
Zenith Insurance Company	Private passenger	Nov. 9, 2006	-7.3%
Zurich Insurance Company	Private passenger	Nov. 9, 2006	-8.5%

29 commercial filings  
50 miscellaneous filings  
15 interurban filings



**Appendix B:**

New Brunswick Insurance Board  
2005-2006 Fiscal Year Audited Financial Statements  
(to March 31, 2006)







Peter G. Gaulton Professional Corporation  
Chartered Accountant  
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## AUDITOR'S REPORT

To the members of New Brunswick Insurance Board:

I have audited the statement of financial position of the New Brunswick Insurance Board as at March 31, 2006 and the statements of operations and surplus and cash flows for the year then ended. These financial statements are the responsibility of the Board. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Board, as well as, evaluating the overall financial statement presentation.

In my opinion these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 2006 and the results of its operations for the period then ended in accordance with Canadian generally accepted accounting principles.

Saint John, NB  
June 22, 2006



Chartered Accountant

# New Brunswick Insurance Board

## Statement of Financial Position

As at March 31, 2006

	2006	2005
<b>Assets</b>		
Current:		
Cash in bank	\$ 785,458	\$ 1,020,189
Scotiabank GIC's (1-year cashable; 3.25%)	600,000	600,000
Accrued interest receivable	6,186	5,376
Harmonized sales tax recoverable	38,258	45,193
Prepaid expenses	9,223	1,800
	<u>1,439,125</u>	<u>1,672,558</u>
Capital assets (note 3)	142,191	129,007
Less: accumulated amortization	(50,386)	(24,242)
	<u>91,805</u>	<u>104,765</u>
	<u>\$ 1,530,930</u>	<u>\$ 1,777,323</u>
<b>Liabilities</b>		
Current:		
Accounts payable and accrued liabilities	\$ 74,012	\$ 52,429
Employee deductions payable	20,171	17,542
Province of NB loan payable	-	500,000
Capital lease obligation- current portion (note 4)	6,779	6,076
Deferred assessments (note 7)	1,425,657	1,190,187
	<u>1,526,619</u>	<u>1,766,234</u>
Long-term:		
Capital lease obligation (note 4)	4,311	11,089
Surplus	-	-
	<u>\$ 1,530,930</u>	<u>\$ 1,777,323</u>
Commitment (note 6)		

Approved by the board:

 Chairperson

 Audit Committee Member



# New Brunswick Insurance Board

## Statement of Operations and Surplus

For the year ended March 31, 2006

(comparative figures for the period October 1, 2004 to March 31, 2005)

	2006	2005
<b>Receipts</b>		
Assessments	\$ 1,268,039	\$ 617,710
Interest	14,633	2,671
Transfer from Public Utilities Board	43,421	-
	<u>1,326,093</u>	<u>620,381</u>
<b>Disbursements</b>		
Wages and benefits	450,996	208,040
Interest and bank charges	3,037	1,050
Travel	56,274	28,544
Advertising	3,186	5,501
Board member per diems	26,950	24,750
Board member stipends	46,250	22,500
Actuarial services	450,108	231,969
Rent	105,679	26,900
Amortization expense	33,860	24,242
Office expenses	11,343	2,899
Professional services	63,906	22,525
Training	6,277	5,974
Architectural	-	5,029
Telecommunications	10,363	4,356
Rentals	6,765	5,973
Public awareness campaign	35,807	-
Insurance	909	-
Computer support	10,185	-
Miscellaneous	4,198	129
	<u>1,326,093</u>	<u>620,381</u>
Excess of receipts over disbursements, being surplus at end of year	\$ NIL	\$ NIL

# New Brunswick Insurance Board

## Statement of Cash Flows

For the year ended March 31, 2006

(comparative figures for the period October 1, 2004 to March 31, 2005)

	2006	2005
Cash provided by (used in):		
Operations		
Excess of receipts over disbursements	\$ -	\$ -
Item not involving an outlay of cash		
Amortization expense	33,860	24,242
	<u>33,860</u>	<u>24,242</u>
Decrease (increase) in accounts receivable	(810)	(5,376)
Decrease (increase) in HST recoverable	6,935	(45,193)
Decrease (increase) in prepaid expenses	(7,423)	(1,800)
Increase (decrease) in accounts payable	21,583	52,429
Increase (decrease) in employee deductions payable	2,629	17,542
Increase (decrease) in capital lease obligation	(6,075)	17,165
Increase (decrease) in loan payable	(500,000)	500,000
Increase (decrease) in deferred revenue	235,470	1,190,187
	<u>(213,831)</u>	<u>1,749,196</u>
Investing		
Purchase of capital assets	(35,527)	(129,007)
Proceeds on the disposal of capital assets	14,627	-
Purchase of Scotiabank GIC's	1,100,000	(600,000)
GIC's redeemed	(1,100,000)	-
	<u>(20,900)</u>	<u>(729,007)</u>
Increase(decrease) in cash	(234,731)	1,020,189
Cash, beginning of year	1,020,189	-
Cash, end of year	<u>\$ 785,458</u>	<u>\$ 1,020,189</u>
Interest paid during the year	<u>\$ 1,588</u>	<u>\$ 851</u>

See accompanying notes to financial statements

# New Brunswick Insurance Board

Notes to Financial Statements

For the year ended March 31, 2006

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## 1. Purpose of the organization

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

The Board 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) Method of accounting:

The 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.

### (b) Capital assets:

Capital assets are recorded at cost. Amortization is calculated on a straight-line basis over 5 years on all assets except for equipment under capital lease. The equipment under capital lease is amortized on an annual basis at an amount equal to the principal portion of the long-term debt repayments.

## 3. Capital assets

	2006		2005	
	Cost	Accumulated Amortization	Net book Value	Net book Value
Computer equipment	\$ 52,836	\$ 19,492	\$ 33,344	\$ 35,938
Computer software	2,010	608	1,402	824
Equipment under capital lease	19,508	8,418	11,090	17,166
Vehicles	20,161	4,032	16,129	17,634
Furniture and fixtures	47,676	17,836	29,840	33,203
	<u>\$ 142,191</u>	<u>\$ 50,386</u>	<u>\$ 91,805</u>	<u>\$ 104,765</u>

# New Brunswick Insurance Board

Notes to Financial Statements

For the year ended March 31, 2006

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## 4. Obligation under capital lease

The following is a schedule of future minimum lease payments under the capital lease, expiring October 2007, together with the balance of the obligation.

2007	\$ 7,664
2008	<u>4,471</u>
	12,135
Less: amount representing interest at a rate of 11.002%	<u>(1,045)</u>
Balance of obligation	11,090
Less: current portion	<u>(6,779)</u>
	<u>\$ 4,311</u>

## 5. Future employee benefits

### Pension Plan:

The Board and its employees participate in a contributory defined benefit pension plan, administered by the Province of New Brunswick and the Public Service Superannuation Act. The plan provides pensions to employees of the Provincial Government and certain Crown Corporations and agencies based on the length of service and highest successive five year average salary. The expense for this pension plan is equivalent to the annual contribution of \$24,948. Any shortfall in the funding of the plan is guaranteed by the Province of New Brunswick, which is the sponsor of the plan.

## 6. Commitment

The Board has negotiated an operating lease of its office premises for a period of 5 years commencing January 1, 2005. Minimum annual payments under the lease total approximately \$100,000.

## 7. Deferred assessments

The Boards' 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 Board 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 represents 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.

## 8. Use of estimates

The preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires the Board to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty.