

## Financial Report – August 31, 2022

Report prepared by Donna White, September 12, 2022

### Summary

The income statement for August shows an underwriting loss year to date of \$3,680,719, an increase to our loss of just over \$800 thousand from June and \$5.5 million below the budgeted profit amount of \$2.2 million. Earned premiums were up 0.6% from last year, based on the unearned premium change year to date, an increase in accrued reinsurance premiums and an increase in direct written premiums of 5.3%. Year to date at August 31st our net claims incurred are \$15.6 million up 200% from last year and 64.5% higher than budgeted. General expenses, in total, are just below budget at \$8.7 million, 2.0% under budget. After a positive investment market last month, the market value of our investments did take another hit in August. The decrease in market value year to date is now \$4.5 million, an unrealized loss of just over \$1 million in August. Our investment income is off last year's results by over \$6 million. This leaves us with a year to date net loss after taxes of \$6 million compared to our budgeted \$2.1 million profit.

### Details – Balance Sheet

Cash and investments are down 16.1% from last year and 22.4% below budget due to the decrease in market value so far in the first 8 months of 2022, the CAT claim payments awaiting reimbursement, the payment of the refund to policyholders sent in April and the purchase of Pearson purchase as of July 1, 2022. Accounts receivable are up .3% from last year and are 2.2% over budget. Policyholder accounts receivable is up consistent with premiums and due from Facility receivable is down because of the correcting adjustment made last year. Reinsurance recoverable is up significantly from last year, by almost \$10 million, because of our CAT loss in May. Over all our reinsurance receivable is up 189% from last year and 201% over budget.

Assets now stand at \$90 million dollars, up 2.8% from last year and 3.1% below budget.

Liabilities are \$54 million, up 25.4% from last year and 15.9% over our budgeted amount. Unearned premiums are up 7.1% and commissions owing are up 2.4%. I am accruing a tax receivable based on our losses year to date.

### Details – Income Statement

Direct premiums written has increased by 5.3% over the same period last year. This remains at 1.4% below budget year to date.

After reinsurance costs, net earned premiums are up 0.6% from last year and are 0.3% above budget.

### Gross Claims Incurred

As you are aware our underwriting loss year to date is a result of the increased claims incurred year to date of \$28.3 million, up 505% from last year's year to date. Reinsurance recoveries have increased significantly due to the May CAT claim, bringing our Net Claims Incurred to \$15.6 million. Net claims incurred are 200% over last year and 64.5% over our budgeted amount.

### Salaries and Benefits

Our underwriting/admin salaries and benefits are up 13.6% from last year and 0.7% above budget.

### Advertising & Donations

Advertising and donations are down 3.6% from last year and 42% below budget. Included in advertising is \$35K for ad Home for work on branding and website design. This is one of our goals this year and I will review this account once the website is complete as some of these costs may be capitalized.

### Government & Regulatory

In prior years, our FSRA fees were allocated to our Government Health Assessment account that was included in Other Claims Costs. This year they are being reported more accurately as a Regulatory Assessment. That is why there are no costs in 2021 and they will be budgeted accordingly for 2023.

### Technology

Technology costs are 38.6% higher than year to date 2021 but much closer to budget at 2.8% over budget. We are investigating alternatives for storage, maintenance and data security to ensure we have our data stored securely at the most cost effective option.

### Risk Analysis & Prevention

Overall, the cost for risk analysis & prevention is 13.2% greater than the first five months of 2021, but 23.8% below budget. Loss prevention costs were lower in 2021 during the pandemic as the inspectors were unable to travel to client locations.

### Investment Income

Year to date we are recording an Investment loss of \$4.4 million due to a drastic drop in the market values. In July, market values appeared to have been more stable with a modest increase in value. However, August brought another major reduction to market values of \$1.1 million. Investment interest is up 22.1% over last year and 19.2% over budget. Dividend income is down 88.3% from last year and 79.7% below budget.

Our net loss before taxes is \$8.0 million and after a provision for tax recovery of approximately \$2 million, we currently have a net loss of \$6.0 million.

*Balance Sheet as at August 31st*

**ASSETS**

**Cash & Investments**

	2021	2022	% off Prior	2022 B	% off Budget
Cash	9,097,268	1,413,145	-84.5%	8,072,179	-82.5%
Accrued Interest	202,613	235,915	16.4%	203,361	16.0%
Investments @ Cost	47,718,288	51,622,553	8.2%	54,649,554	-5.5%
Change in Market Value	<u>4,151,968</u>	<u>(1,933,570)</u>	-146.6%	<u>3,209,098</u>	-160.3%
	<b>61,170,136</b>	<b>51,338,043</b>	<b>-16.1%</b>	<b>66,134,192</b>	<b>-22.4%</b>

**Accounts Receivable**

Policyholders	9,028,335	9,526,177	5.5%	9,317,014	2.2%
Due from Facility	<u>441,699</u>	<u>(32,380)</u>	-107.3%	<u>(27,130)</u>	19.4%
	<b>9,470,033</b>	<b>9,493,797</b>	<b>0.3%</b>	<b>9,289,884</b>	<b>2.2%</b>

**Reinsurance**

Due from FM Re - Catastrophe Claims	566,088	10,385,608	1734.6%	76,546	13467.8%
Due from FM Re - Paid Claims	76,707	676,611	782.1%	0	0.0%
Reinsurance Claims Reserves	3,464,418	5,279,362	52.4%	2,981,016	77.1%
Reinsurance Claims IBNR	<u>2,148,839</u>	<u>1,773,401</u>	-17.5%	<u>2,948,839</u>	-39.9%
	<b>6,256,052</b>	<b>18,114,982</b>	<b>189.6%</b>	<b>6,006,401</b>	<b>201.6%</b>

**Broker Acquisition**

Broker Purchase	568,000	1,727,108	204.1%	1,768,000	-2.3%
Broker Acquisition - Amortization	<u>(255,967)</u>	<u>(369,997)</u>	44.5%	<u>(475,703)</u>	-22.2%
	<b>312,033</b>	<b>1,357,111</b>	<b>334.9%</b>	<b>1,292,297</b>	<b>5.0%</b>

**Building and Equipment**

Land	1,039,600	1,039,600	0.0%	1,039,600	0.0%
Building	5,635,326	5,635,326	0.0%	5,635,326	0.0%
Building - Accumulated Depreciation	<u>610,492</u>	<u>751,374</u>	23.1%	<u>751,371</u>	0.0%
	<b>5,024,834</b>	<b>4,883,952</b>	<b>-2.8%</b>	<b>4,883,955</b>	<b>0.0%</b>
Building Components	645,705	645,705	0.0%	645,705	0.0%
Building Components - Accum. Depreciation	<u>139,899</u>	<u>172,183</u>	23.1%	<u>172,179</u>	0.0%
	<b>505,805</b>	<b>473,522</b>	<b>-6.4%</b>	<b>473,526</b>	<b>0.0%</b>
Office Equipment	764,308	828,729	8.4%	801,538	3.4%
Office Equipment - Accum. Depreciation	<u>320,663</u>	<u>400,179</u>	24.8%	<u>401,408</u>	-0.3%
	<b>443,645</b>	<b>428,551</b>	<b>-3.4%</b>	<b>400,130</b>	<b>7.1%</b>
Computer Equipment	796,730	823,891	3.4%	822,021	0.2%
Computer Equipment - Accum. Depreciation	<u>597,440</u>	<u>715,057</u>	19.7%	<u>719,573</u>	-0.6%
	<b>199,290</b>	<b>108,834</b>	<b>-45.4%</b>	<b>102,448</b>	<b>6.2%</b>

**Other Assets**

Deferred Policy Acquisition Expenses	3,266,519	3,395,622	4.0%	3,506,498	-3.2%
Deferred Income Taxes	130,000	120,000	-7.7%	130,000	-7.7%
Prepaid Expenses	474,584	43,273	-90.9%	474,584	-90.9%
Employee Payroll Deductions	<u>(1,834)</u>	<u>(269)</u>	-85.3%	<u>(937)</u>	-71.3%
	<b>3,869,269</b>	<b>3,558,626</b>	<b>-8.0%</b>	<b>4,110,145</b>	<b>-13.4%</b>
	<b><u>\$88,290,698</u></b>	<b><u>\$90,797,017</u></b>	<b>2.8%</b>	<b><u>\$93,732,579</u></b>	<b>-3.1%</b>

*Balance Sheet as at August 31st*

	2021	2022	% off Prior	2022 B	% off Budget
<b>LIABILITIES</b>					
<b>Accounts Payable</b>					
Expenses Due & Accrued	406,608	440,612	8.4%	403,550	9.2%
Reinsurance Premiums Due	47,772	134,815	182.2%	523,467	-74.2%
Employee Payroll Deductions	28	0	-100.0%	0	0.0%
	<b>454,408</b>	<b>575,427</b>	26.6%	<b>927,017</b>	-37.9%
<b>Due to Brokers</b>					
Contingent Profit Sharing	422,354	385,813	-8.7%	400,000	-3.5%
Marketing Program	114,959	187,763	63.3%	26,634	605.0%
Commissions	<u>489,010</u>	<u>500,696</u>	2.4%	<u>613,317</u>	-18.4%
	<b>1,026,323</b>	<b>1,074,272</b>	4.7%	<b>1,039,951</b>	3.3%
<b>Outstanding Claims</b>					
Facility Claims	0	0	0.0%	0	0.0%
Gross Claims Outstanding	16,623,794	30,825,831	85.4%	19,054,396	61.8%
Gross Claims IBNR	<u>6,010,042</u>	<u>5,525,979</u>	-8.1%	<u>6,355,042</u>	-13.0%
	<b>22,633,836</b>	<b>36,351,810</b>	60.6%	<b>25,409,438</b>	43.1%
<b>Taxes Due</b>					
Income Taxes	1,295,708	(2,787,887)	-315.2%	68,478	-4171.2%
RST & HST	<u>140,453</u>	<u>158,154</u>	12.6%	<u>152,400</u>	3.8%
	<b>1,436,161</b>	<b>(2,629,734)</b>	-283.1%	<b>220,878</b>	-1290.6%
<b>UEP &amp; Other Liabilities</b>					
Miscellaneous	0	(13,918)	0.0%	0	0.0%
Unearned Premiums	<u>18,098,232</u>	<u>19,376,243</u>	7.1%	<u>19,643,090</u>	-1.4%
	<b>18,098,232</b>	<b>19,362,325</b>	7.0%	<b>19,643,090</b>	-1.4%
	<b><u>43,648,960</u></b>	<b><u>54,734,101</u></b>	25.4%	<b><u>47,240,373</u></b>	15.9%
<b>SURPLUS</b>					
Opening Balance	37,640,360	42,129,956	11.9%	44,319,646	-4.9%
Earnings during the Period	<u>7,001,379</u>	<u>(6,067,039)</u>	-186.7%	<u>2,172,560</u>	-379.3%
Ending Surplus	44,641,738	36,062,916	-19.2%	46,492,205	-22.4%
	<b><u>88,290,698</u></b>	<b><u>90,797,017</u></b>	2.8%	<b><u>93,732,579</u></b>	-3.1%

## Income Statement to August 31st

	2021	2022	% off Prior	2022 B	% off Budget
<b>Premiums</b>					
Premiums Written - Direct	23,590,534	24,850,358	5.3%	25,202,426	-1.4%
Premiums Written - Facility/Other	<u>146,262</u>	<u>181,026</u>	23.8%	<u>170,094</u>	6.4%
	<b>23,736,796</b>	<b>25,031,384</b>	<b>5.5%</b>	<b>25,372,520</b>	<b>-1.3%</b>
<b>Reinsurance Premiums</b>					
Reinsurance Ceded - Direct	2,511,608	3,316,525	32.0%	3,416,484	-2.9%
Reinsurance Ceded - Other	<u>318,322</u>	<u>237,386</u>	-25.4%	<u>258,609</u>	-8.2%
	<b>2,829,930</b>	<b>3,553,911</b>	<b>25.6%</b>	<b>3,675,092</b>	<b>-3.3%</b>
<b>Change in Unearned Premium</b>					
Increase / (Decrease) in UEP	<u>704,618</u>	<u>1,152,832</u>	63.6%	<u>1,426,564</u>	-19.2%
<b>NET EARNED PREMIUM</b>	<b>20,202,249</b>	<b>20,324,642</b>	<b>0.6%</b>	<b>20,270,864</b>	<b>0.3%</b>
<b>Policy Interest / Charges</b>					
Pre-authorized Payment Revenue	328,979	353,650	7.5%	348,028	1.6%
NSF Fees	<u>0</u>	<u>6,958</u>	0.0%	<u>3,252</u>	114.0%
<b>TOTAL INCOME</b>	<b><u>20,531,228</u></b>	<b><u>20,685,250</u></b>	<b>0.8%</b>	<b><u>20,622,144</u></b>	<b>0.3%</b>
<b>Gross Claims Incurred</b>					
Gross Claims and External Adjusting	4,683,689	28,369,342	505.7%	10,700,334	165.1%
Claims - Salaries	236,457	262,643	11.1%	256,309	2.5%
Claims - Benefits	54,718	64,713	18.3%	63,695	1.6%
Other Internal Claims Costs	4,405	2,682	-39.1%	140,070	-98.1%
Facility & Other Claims Cost	<u>109,209</u>	<u>55,819</u>	-48.9%	<u>129,119</u>	-56.8%
	<b>5,088,479</b>	<b>28,755,199</b>	<b>465.1%</b>	<b>11,289,527</b>	<b>154.7%</b>
<b>Reinsurance Recoveries</b>	<u>(119,882)</u>	<u>13,140,520</u>	-11061.2%	<u>1,800,000</u>	630.0%
<b>NET CLAIMS INCURRED</b>	<b><u>5,208,361</u></b>	<b><u>15,614,679</u></b>	<b>199.8%</b>	<b><u>9,489,527</u></b>	<b>64.5%</b>
<b>Policy Acquisition Expenses</b>					
Commission Expense	4,184,454	4,354,062	4.1%	4,436,841	-1.9%
Contingent Profit Sharing Commission (CPC)	412,500	400,000	-3.0%	400,000	0.0%
Sales - Salaries / Remuneration	150,361	197,233	31.2%	191,217	3.1%
Sales - Benefits	37,812	42,373	12.1%	43,180	-1.9%
Broker Promotion & Advertising	0	2,380	0.0%	26,664	-91.1%
Agency Rent / Expenses / Promotion	15,262	36,898	141.8%	69,285	-46.7%
Agency purchase amortization	47,200	76,030	61.1%	115,736	-34.3%
Rating Costs / Broker Connectivity	38,370	58,668	52.9%	153,293	-61.7%
<b>Less:</b>					
Change in Deferred Policy Acquisition Expenses	138,237	99,134	-28.3%	263,003	-62.3%
Facility & Other Commission Revenue	<u>40,529</u>	<u>21,507</u>	-46.9%	<u>30,510</u>	-29.5%
<b>NET COMMISSION EXPENSE</b>	<b><u>4,707,194</u></b>	<b><u>5,047,001</u></b>	<b>7.2%</b>	<b><u>5,142,703</u></b>	<b>-1.9%</b>

## *Income Statement to August 31st*

	2021	2022	% off Prior	2022 B	% off Budget
<b>Directors Fees and Benefits</b>					
Directors Fees	90,670	109,349	20.6%	133,883	-18.3%
Benefits	<u>46,699</u>	<u>49,849</u>	6.7%	<u>46,503</u>	7.2%
	<b>137,370</b>	<b>159,197</b>	<b>15.9%</b>	<b>180,386</b>	<b>-11.7%</b>
<b>Professional Fees</b>					
Audit Fees	24,000	24,000	0.0%	40,000	-40.0%
Legal Fees, Office Related	0	0	0.0%	2,919	-100.0%
Professional Fees	<u>20,844</u>	<u>30,761</u>	47.6%	<u>18,617</u>	65.2%
	<b>44,844</b>	<b>54,761</b>	<b>22.1%</b>	<b>61,536</b>	<b>-11.0%</b>
<b>Salaries and Benefits</b>					
Underwriting / Admin - Salaries	957,783	1,084,080	13.2%	1,092,218	-0.7%
Underwriting / Admin - Benefits	<u>247,850</u>	<u>285,012</u>	15.0%	<u>266,875</u>	6.8%
	<b>1,205,634</b>	<b>1,369,092</b>	<b>13.6%</b>	<b>1,359,093</b>	<b>0.7%</b>
<b>Travel Expenses &amp; Meals</b>					
Travelling Expense	709	5,554	683.1%	9,003	-38.3%
Travel Directors	671	5,979	790.6%	7,431	-19.5%
Meals Expenses	<u>3,922</u>	<u>8,952</u>	128.3%	<u>8,496</u>	5.4%
	<b>5,302</b>	<b>20,486</b>	<b>286.4%</b>	<b>24,930</b>	<b>-17.8%</b>
<b>Advertising &amp; Donations</b>					
Advertising	31,477	53,747	70.8%	30,962	73.6%
Donations	<u>33,580</u>	<u>8,936</u>	-73.4%	<u>77,152</u>	-88.4%
	<b>65,057</b>	<b>62,683</b>	<b>-3.6%</b>	<b>108,114</b>	<b>-42.0%</b>
<b>Conventions &amp; Annual Meeting</b>					
Non-OMIA Conferences	0	34,365	0.0%	33,591	2.3%
OMIA Conferences	<u>1,141</u>	<u>19,471</u>	1606.0%	<u>748</u>	2503.1%
	<b>1,141</b>	<b>53,836</b>	<b>4617.1%</b>	<b>34,339</b>	<b>56.8%</b>
<b>Education</b>					
Education - Staff	24,275	27,697	14.1%	28,406	-2.5%
Education - Directors	<u>465</u>	<u>5,080</u>	993.1%	<u>1,958</u>	159.4%
	<b>24,740</b>	<b>32,777</b>	<b>32.5%</b>	<b>30,364</b>	<b>7.9%</b>
<b>Depreciation</b>					
Depreciation Expense - Building & Equipment	<u>194,892</u>	<u>168,161</u>	-13.7%	<u>168,843</u>	-0.4%
	<b>194,892</b>	<b>168,161</b>	<b>-13.7%</b>	<b>168,843</b>	<b>-0.4%</b>
<b>Sundry / Other</b>					
Sundry	14,353	16,126	12.4%	14,992	7.6%
Bad Debts	(15,766)	6,722	-142.6%	(603)	-1214.7%
Insurance	18,594	45,586	145.2%	36,222	25.9%
Kitchen Expense	<u>3,179</u>	<u>4,693</u>	47.6%	<u>4,686</u>	0.1%
	<b>20,361</b>	<b>73,127</b>	<b>259.2%</b>	<b>55,297</b>	<b>32.2%</b>

*Income Statement to August 31st*

	2021	2022	% off Prior	2022 B	% off Budget
<b>Membership Fees</b>					
Membership Fees	68,030	64,755	-4.8%	68,845	-5.9%
	<b>68,030</b>	<b>64,755</b>	<b>-4.8%</b>	<b>68,845</b>	<b>-5.9%</b>
<b>Government &amp; Regulatory</b>					
Premium Tax	65,722	80,834	23.0%	79,524	1.6%
Facility Association	0	80	0.0%	0	0.0%
RST Income	(1,500)	(1,500)	0.0%	(875)	71.4%
Regulatory Assessments	0	62,443	0.0%	600	10307.2%
	<b>64,222</b>	<b>141,857</b>	<b>120.9%</b>	<b>79,249</b>	<b>79.0%</b>
<b>Building Expenses</b>					
Real Estate Taxes	63,363	63,679	0.5%	60,000	6.1%
Fuel and Light	26,617	31,559	18.6%	27,260	15.8%
Janitorial and Cleaning	26,444	23,060	-12.8%	32,885	-29.9%
Repair and Maintenance, Building	18,274	27,004	47.8%	15,176	77.9%
	<b>134,698</b>	<b>145,303</b>	<b>7.9%</b>	<b>135,321</b>	<b>7.4%</b>
<b>Office Expenses</b>					
Postage	51,651	53,477	3.5%	51,451	3.9%
Telephone	31,025	40,576	30.8%	37,794	7.4%
Printing, Stationary and Office	33,240	39,810	19.8%	45,009	-11.6%
	<b>115,917</b>	<b>133,864</b>	<b>15.5%</b>	<b>134,254</b>	<b>-0.3%</b>
<b>Technology</b>					
OMIA - Stats - IT Costs	46,825	45,852	-2.1%	44,543	2.9%
Insurance System Fees	243,894	419,109	71.8%	386,250	8.5%
IT Contractors	29,050	45,089	55.2%	33,336	35.3%
IT Supplies	7,212	10,840	50.3%	6,664	62.7%
Software and other License Fees	88,128	71,258	-19.1%	93,336	-23.7%
Depreciation Expense - Computer	66,136	74,995	13.4%	84,852	-11.6%
	<b>481,244</b>	<b>667,144</b>	<b>38.6%</b>	<b>648,981</b>	<b>2.8%</b>
<b>Risk Analysis &amp; Prevention</b>					
Loss Prevention - Salaries	258,489	291,544	12.8%	296,386	-1.6%
Loss Prevention - Benefits	71,608	78,045	9.0%	76,319	2.3%
Purchase (Sales) of Fire Equipment	1,848	(258)	-114.0%	2,693	-109.6%
External Inspection Expense	5,392	9,437	75.0%	133,332	-92.9%
Inspection - Education	4,095	4,888	19.4%	6,628	-26.3%
Policy Underwriting Information	26,960	23,546	-12.7%	30,000	-21.5%
Inspection - Travel / Expenses	22,965	35,956	56.6%	36,140	-0.5%
	<b>391,358</b>	<b>443,157</b>	<b>13.2%</b>	<b>581,498</b>	<b>-23.8%</b>
<b>Bank Charges</b>					
Bank Charges	113,600	114,089	0.4%	115,686	-1.4%
	<b>113,600</b>	<b>114,089</b>	<b>0.4%</b>	<b>115,686</b>	<b>-1.4%</b>
<b>GENERAL EXPENSES</b>	<b><u>\$7,775,605</u></b>	<b><u>\$8,751,290</u></b>	<b>12.5%</b>	<b><u>\$8,929,438</u></b>	<b>-2.0%</b>
<b>Underwriting Profit / (Loss)</b>	<b><u>\$7,547,263</u></b>	<b><u>(\$3,680,719)</u></b>	<b>-148.8%</b>	<b><u>\$2,203,178</u></b>	<b>-267.1%</b>

## *Income Statement to August 31st*

	2021	2022	% off Prior	2022 B	% off Budget
<b>Investment Income</b>					
Investment Interest Earned	465,032	567,991	22.1%	476,596	19.2%
Dividend Income Earned	344,531	40,393	-88.3%	199,464	-79.7%
Gain or Loss on Sale of Investments	(115,779)	(308,798)	166.7%	25,292	-1320.9%
Change in Market Value Investments	1,193,211	(4,588,371)	-484.5%	118,626	-3967.9%
Loss/Gain on Disposal of Assets	0	0	0.0%	0	0.0%
Portfolio Management Fees	<u>99,179</u>	<u>120,327</u>	21.3%	<u>126,410</u>	-4.8%
	<b>1,787,816</b>	<b>(4,409,112)</b>	<b>-346.6%</b>	<b>693,568</b>	<b>-735.7%</b>
<b>Net Profit / (Loss) before Tax</b>	<b>\$9,335,079</b>	<b>(\$8,089,831)</b>	<b>-186.7%</b>	<b>\$2,896,746</b>	<b>-379.3%</b>
<b>Income Tax Expense</b>					
Income Tax Expense - Current	2,333,700	(2,022,792)	-186.7%	724,187	-379.3%
<b>Net Profit / (Loss)</b>	<b>\$7,001,379</b>	<b>(\$6,067,039)</b>	<b>-186.7%</b>	<b>\$2,172,560</b>	<b>-379.3%</b>