VP Finance Report

For the Board Meeting of: 4/21/2022

Executive Summary

The first quarter of 2022 is much different from the same period in 2021. On a positive note, our premiums written are up 4.5% over last year and after reinsurance our net earned premium is up 1.8% Year to date the same two areas with significant changes from last year are claims incurred and investment market values. Net claims incurred at the end of March is up over $1.5 million from last month to $4.6 million, compared to last years $1.5 million. Investments have continued to decline in market value since year-end with a year to date loss of almost $2.4 million. The overall results year to date is an underwriting loss of $233,592, investment loss of $2.4 million and after the estimated tax provision; our net loss is $1.9 million.

Update on my Department

The months are flying by, and March was a relatively quiet one in admin.

We are still working with a mix of working in office and at home, and we will continue this for the foreseeable future.

One of our priorities for March was for April to provide cross training to Andrea and Jenn. April did spend several days in March with Andrea training her on various accounts receivable duties that she performs that will assist Andrea going forward. Next month, April will be spending more time with Jenn.

We have created a job posting for a Financial Analyst and we will be interviewing end of April, early May.

April celebrated her 15-year work anniversary in March; however, she was unable to attend the board meeting last month, as she was sick. I am hopeful that everyone will be healthy next week and she will be able to attend the meeting in April.

It was quite exciting to be able to attend the OMIA convention in person and see Terrye receive her award. Spending time together outside of the office felt amazing after a couple of years feeling so isolated and nervous to socialize. Of course, any activity contains an element of risk, whether we get behind the wheel in a car, plane or participate in a sport. Until the pandemic is gone, playing it safe also means wearing a mask if we can't socially distance, socially distance when possible and wash our hands frequently. I believe that we have to continue to be kind and have empathy with each other and try to keep each other as safe as possible while continuing to service our insureds.

Update on Major Goal(s)

Allison, Ryan and I continue to be involved in the weekly meetings and testing. Cognition have made several fixes to improve the data converted and staff are feeling more confident with the system. Conversion is scheduled for Friday, April 22. Allison and I will be coming in on Saturday with some claims staff to ensure that the conversion was successful and that everyone will be able to work on Monday.

The IFRS 17 accounting project is ramping back up with biweekly meetings. In March, I completed the balancing of premium, claims and reinsurance transaction for every quarter from 2010 to 2020 (44 quarters). In April, I have to complete and submit the balancing for 2021 and that should be much easier. All of these reconciliations are necessary for the actuary to analyze our data for IFRS 17. We are expecting the report from Ernst and Young in September. I am also working on creating draft statements on an IFRS 17 basis for the board meeting next week.

Emerging or Future Issues

Over the next couple of months, we will be hiring an accountant to replace April and assist the new VP of Finance with their responsibilities. This is a critical role and I am hopeful that we will be able to find someone with a strong accounting background, and who works well as part of a team.

Investment bond market values are continuing to decline with the pressure on interest rates. If interest rates are expected to increase, the market value of our bonds will go down, as their interest rate is lower. Since we have to report investments at their market value, we are reporting the loss in value. However, the face value of our bonds remains the same, so we will receive the face value if held until maturity. Market values on equities did increase by $270,000 in March, which was a good sign.

IFRS 17 does report Insurance Contract and Reinsurance Contract assets/liabilities differently than IFRS 4. Effective Jan 1 2023 we have to net all Insurance Contract assets/liabilities and net all Reinsurance Contract asset/liabilities. This will mean that our policy accounts receivables and our deferred policy acquisition costs (DPAC) move from the asset side to the liability side of the balance sheet. It also means that any reinsurance liabilities will move to the asset side if our reinsurance receivables are greater than our reinsurance liabilities. Moving our DPAC and insurance receivables to liabilities reduces our Total Assets. This will affect us in a few areas: the amount we will have available to invest in capital assets is limited to 10% of total assets, we are limited to 25% of investments in equities, and reduced assets will also reduce our MCT. I will prepare draft IFRS 17 financial statements for March 31, 2022 for us to review. They are still draft as there are a couple of areas that I am still confirming the handling of, such as where premium taxes and policy acquisition costs will be on the Income Statement. For the draft statements, I have included them with Insurance Service Expenses, as the deferred portion is grouped with the insurance contract liabilities on the Balance Sheet.

Financial Results

Year to date our premiums are up 4.5% over last year and our net claims incurred are up over 200%. The result is an underwriting loss year to date of almost $234,000 and after our investment market value and tax adjustments, our net loss is $1.9 million.

Respectfully Submitted,

Donna White

Striving to provide you with peace of mind by protecting your tomorrows today.