

INSURANCE COUNCILS OF SASKATCHEWAN

Finance Committee - Financial Management Policies

The Finance Committee (the Committee) of the Insurance Councils of Saskatchewan (the Councils) is responsible for directing the financial affairs of the Councils. As part of those responsibilities, the Committee has been delegated the following duties:

- Developing and recommending an annual business plan for the Councils; and
- Reviewing and approving the audited financial statements of the Councils.

In carrying out these duties, the Committee should be guided by the following financial management principles:

1. A prudent legal reserve should be set up as a contingency against large future legal liabilities. This reserve should be reviewed on an annual basis in order to regularly consider evolving circumstances. As a minimum, this reserve should exceed the largest historical legal cost that Councils have incurred. This reserve will show as a Restricted Asset on the financial statement.
2. A prudent systems development reserve should be set up to cover (or substantially cover) the anticipated replacement of the Councils' internal database system every 10 years. The reserve should be set up in the year following implementation of the most recent database system installation, and increased thereafter on an annual basis. The initial set-up amount, and annual increase amounts, should be approximately equal to 10% of the cost of the most recent database installation. This reserve will show as a Restricted Asset on the financial statement.
3. Whenever possible, after the creation of the reserves mentioned above, as well as any other reserves that the Committee may feel are prudent for the Councils to establish, management of the Councils' annual business planning process should be based on an objective to have the Councils' Net Unrestricted Assets at or near 100% of the Councils' projected annual expenditures for the year being planned.
4. In the event that Councils' Net Unrestricted Assets fall below the target outlined in #3 above, management of the Councils' annual business planning process need not be based on making up 100% of the shortfall in one year. In these cases, the annual business planning process must include a formalized plan to reach the objective within a period not to exceed five years.

Last Reviewed by Finance Committee: December 6, 2012