

Advisory

Differential Premium System

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PURPOSE

The Credit Union Deposit Insurance Corporation of British Columbia (“CUDIC”) is putting into place a new Differential Premium System (“DPS”) methodology as of April 1, 2023. The DPS replaces the current Risk-Based Premium Assessment Methodology and will serve as the basis for determining deposit insurance premiums for credit unions. The DPS finalizes prior drafts and proposals of a new methodology that were the subject of feedback from B.C. credit unions.

BACKGROUND INFORMATION

The DPS will provide greater differentiation of premiums paid by B.C. credit unions and align CUDIC with standards for deposit insurers. Consultations with the credit union sector between 2016 and 2019 focused on ways to modernize the premium determination. Extensive review and modelling were shared with credit union representatives, and the feedback was carefully considered before finalizing the DPS. The DPS improves CUDIC’s underwriting process based on relative risk between credit unions. This results in greater fairness in the application of deposit insurance premiums.

A draft methodology was issued on February 18, 2021 (refer to the attached Advisory #21-004) to B.C. credit unions for final review and comment. Based on the feedback received, the following enhancements were incorporated into the DPS:

1. Changing the “Securizations to Total Deposits” risk metric from a fixed scoring range to a relative scoring range;
2. Removing “non-redeemable term deposits with maturity dates of 12 months or greater” from the formula that calculates the metric “Agent Deposits to Total Deposits”; and
3. Finalizing the scoring ranges for the various risk metrics closer to the date of implementation to allow, the most current data to inform the appropriate ranges.

Further details on the DPS methodology are provided below.

- The attached DPS Manual provides detailed methodology on the premium calculation, key metrics, and assessment categories used by CUDIC for each credit union.
- The attached DPS Calculator provides a tool to assist credit unions in estimating their premium for a given year.

ADDITIONAL INFORMATION

Further review and communication on establishing the relative ranges for the DPS methodology will be available before 2023. BCFSA will gather supporting data to ensure historical financial information on metrics is sufficient to analyze possible range options before the DPS is implemented.

Attached hereto is the Summary DPS Credit Union System Session Comments and BCFSA Responses from the February 18, 2021 Advisory #21-004.

The integration of the Real Estate Council of British Columbia (“RECBC”) and the Office of the Superintendent of Real Estate (“OSRE”) into BCFSA is expected to be complete in the summer. As part of the integration, a new BCFSA website will be launched. As we work on building our new website, publishing materials, such as this Differential Premium System Advisory and related materials, will be postponed until the new website launch.

During that time, you can access documents and materials by sending an email request to DepositInsurance@bcfsa.ca. Existing materials posted on the current website will continue to be available. We appreciate your patience and understanding as BCFSA builds its new website.

If you have questions or comments, please send an email to DepositInsurance@bcfsa.ca or call toll free at 1-866-206-3030.