

RSP IFRS 17 Compliant Member Statements Glossary

This glossary of terms provides report field definitions to support the mapping of existing Facility Association Risk Sharing Pool Member reporting fields (based on historical IFRS 4 compliant Member Statements) to the revised IFRS 17 compliant Member Statement format.

Operating Statement Items:

Insurance Revenue: Premium earned during the reporting period, net of earned expense allowance.

Insurance Service Expenses: Sum of the following items:

Claims Incurred: Sum of the following items:

Paid Claims: Claim payments made during the reporting period, for claims occurring in the current accident year.

Paid Expenses: Claims adjustment expenses paid during the reporting period, for claims occurring in the current accident year.

Change in PV FCF: Change in the present value of future cash flows during the reporting period (change in the discounted unpaid claims liabilities, excluding risk adjustment and excluding impact of change in discount rates), for claims occurring in the current accident year.

Change in Risk Adjustment: Change in the present value of the risk adjustment during the reporting period (excluding impact of change in discount rates), for claims occurring in the current accident year.

Administration Expense: Expenses incurred during the reporting period by Facility Association for administration of the risk sharing pool (such as staff, overhead etc.)

Changes in the Loss Component: Sum of the following items:

Losses on Onerous Contracts: Change in the loss component during the reporting period arising from initial recognition and subsequent re-estimation of the loss component (due to changes in premium or loss ratio projections, for example). Excludes the impact of change in discount rates.

Reversal of Losses on Onerous Contracts: Change in the loss component during the reporting period arising from the portion of the opening LRC earned during the period. Excludes the impact of change in discount rates.

Adjustments to Liabilities for Incurred Claims: Sum of the following items:

Paid Claims: Claim payments made during the reporting period, for claims occurring in prior accident years.

Paid Expenses: Claims adjustment expenses paid during the reporting period, for claims occurring in prior accident years.

Change in PV FCF: Change in the present value of future cash flows during the reporting period (change in the discounted unpaid claims liabilities, excluding risk adjustment and excluding impact of change in discount rates), for claims occurring in prior accident years.

Change in Risk Adjustment: Change in the present value of the risk adjustment during the reporting period (excluding impact of change in discount rates), for claims occurring in prior accident years.

Insurance Service Result (subtotal): Insurance revenue minus insurance service expenses

Net Finance Income/Expense from Insurance: Represents the change in the present value of future cash flows from unpaid claims due to change in discount rate during the period. More specifically, this includes:

- The release of the effect of discounting due to the passage of time (also known as discount unwinding)
- The effect due to changes in discounting assumptions. This change is only reflected in implementation months (March, May, August, and October), when the yield curve is updated as part of the quarterly valuation

Finance income/expense is generated from PV FCF, risk adjustment and loss component.

Operating Result (total): Sum of Insurance Service Result and Net finance income/expense from insurance.

Cash Flow Movements Items:

Net Premium Received: Difference of the following items:

Premium Received: Premium received during the reporting period. As this data is unavailable for RSP at the IFRS 17 group level, the premium received during a month is approximated as the premium written in the previous month, as all premium ceded to RSPs must be transferred within 30 days.

Expense allowance paid: Expense allowance paid to members during the reporting period. As this data is unavailable for RSP at the IFRS 17 group level, the expense allowance paid during a month is approximated as the written expense allowance on policies written in the previous month, as expense allowance is paid concurrently with premium received.

Claims Paid: Claims indemnity paid during the reporting period.

Insurance Service Expenses Paid: Sum of the following:

Paid Expenses: Claims adjustment expenses paid during the reporting period.

Administration Expense: Expenses paid during the reporting period to Facility Association for administration of the risk sharing pool (such as staff, overhead etc.)

Balance Sheet Items:

Liability for Remaining Coverage: Sum of the following:

Liability for Remaining Coverage (excl. LC): Unearned portion of premiums received, excluding the expense allowance, within the contract boundary. Also referred to as the “Premium Allocation Approach (PAA) LRC”

Loss Component: The difference between the present value of the future cash flows relating to remaining coverage and the PAA LRC. In other words, the expected shortfall in revenue vs. present value of claims cost in the remaining coverage, within the contract boundary.

Liability for Incurred Claims: Sum of the following:

PV FCF: Present value of future cash flows. This is the discounted present value of unpaid claims and eligible legal and professional claim adjustment expenses.

Risk Adjustment: An adjustment to the present value of future cash flows to reflect the compensation the entity requires for bearing the uncertainty associated with non-financial risks.

Memo Items:

Discounted Future Losses with Risk Adj: Present value of future claim payments within the contract boundary, from both LIC and LRC, including the risk adjustment.

Undiscounted IBNR: Nominal estimate of incurred but not reported claims and eligible legal and professional claims adjustment expenses

Undiscounted Loss Component: Nominal estimate of the loss component (i.e. the expected shortfall in revenue vs. present value of claims cost in the remaining coverage, within the contract boundary).

Undiscounted Future Losses: Nominal value of future claim payments within the contract boundary, from both LIC and LRC, including the risk adjustment.

Net Premium Receivables: Difference between written premium and received premium, net of expense allowance.

Undiscounted Outstanding Losses: Nominal value of case reserves.

Undiscounted Risk Adjustment on Unpaid Claims: Nominal value of the risk adjustment on nominal unpaid claims. Calculated by applying the risk adjustment factor (ratio of risk adjustment to PV FCF) to the undiscounted unpaid claims.