

Risk Sharing Pool IFRS 17 Operational Report User Guide

Introducing Facility Association's new Operational Report

We are very pleased to introduce Facility Association's new monthly Risk Sharing Pool IFRS 17 Operational Report to be used for all monthly reporting of Risk Sharing Pool Results on an IFRS 17-compliant basis. The report provides the Pool results in aggregate and your share in these results in a format familiar to users of FA's operational reports. We have endeavored to ensure that the report contains the appropriate levels of detail and information for your operational, financial and management needs.

FA reports its results on the IFRS 17 basis as of November 1, 2022; reports prior to this date are provided for comparative purposes only.

Please note that the IFRS 17 calculations in this report rely on assumptions about the level of aggregation, risk adjustment, discount rate, cash flows, and contract boundary which may differ from the members' own assumptions. Members are advised to assess the impact of any differences in FA's assumptions compared to the Members. For more information on these assumptions and accounting policy papers, please refer to FA's IFRS 17 documents available at:

<https://facilityassociation.com/Members/IFRS17Documents>

Understanding the structure and format of the IFRS 17 Report

Facility Association's IFRS 17 report is designed in a format that will be familiar to users of the previous operational reports to date. This is done to assist members with the transition to IFRS 17 and to allow for ease of comparison between the IFRS 4 and IFRS 17 reports.

- The report shows month to date, year to date and all years to date for
 - The Statement of Operations
 - Selected items for Cash Flow Movements for IFRS 17
 - Selected items for the Statement of Financial Position
 - Selected items for Memo items to assist member who wish to use their own assumptions
- Consistent with previous reports, the report contains details by accident years with totals
- Account settlement information is shown on page 9: shows the Member's share of Pool results followed immediately by the "Account Reconciliation" of "Member's Share of Pool Results" and "Business Ceded to the Pool by Member".

- “Reported by Member” (including Transferred and Retained) information is shown on page 10 (Month to Date) and page 11 (All Years to Date).
- Projections for the next two months are provided on page 12 & 13 (for Operating Result, Statement of Financial Position, and Memo Items); projections on a calendar year-to-date basis are also provided on page 12 (for Operating Result).
- Please note that the definition of “claims incurred” and “adjustments to liabilities for incurred claims” may be different in the “Projections” section of the report compared to other sections. “Claims incurred” is defined as claims incurred in the current accident year, and so in the Projections section this accident year is defined based on the “projection month” i.e. 2 months ahead of the current accounting month. Therefore, around the end of the year when the projection month is in the accident year following the current accounting year, the split of claims between “claims incurred” and “adjustments to liabilities for incurred claims” may be different in this projection section.
- Please use caution with the “All Years to Date” operating statements, as some items in these sections are only available since the start of IFRS 17 (for example, insurance finance expenses were not calculated prior to IFRS 17 and therefore we do not have an accurate split for all historical years of the operating costs between insurance service and insurance finance expenses).

Guide to IFRS 17 terminology

Several new quantities are included in the IFRS 17 report. To allow the user to understand the definitions of these quantities, we have created an IFRS 17 Glossary of Terms. You can find the glossary on our website here:

https://facilityassociation.com/docs/RSP_IFRS17_Operational_Report_Glossary.pdf

If you require additional information on the definition of any of the quantities found in this report, please send your inquiry to ifrs17@facilityassociation.com.

The User Guide

To assist readers in understanding the new report layout, the following table sets out a more detailed breakdown of the type of information provided in each section and shows whether each income statement item is added or subtracted in coming up with the “Operating Result”.

Page Number	Sections	Explanation
1	POOL TOTAL <ul style="list-style-type: none"> ❖ Month to Date <ul style="list-style-type: none"> • Split by Accident Year • Includes Operating Results and Cash Flow Movements 	<p><u>Statement of Operations:</u></p> <p>+ Earned Premium - Earned Expense Allowance = Insurance Revenue (A) + Paid Claims (for current accident year) + Paid Expenses (for current accident year) + Change in PV FCF (for current accident year) + Change in Risk Adjustment (for current accident year) = Claims Incurred (B) + Administration Expense = Administration Expense (C) + Losses on Onerous Contracts + Reversal of Losses on Onerous Contracts = Changes in the Loss Component (D) + Paid Claims (for prior accident years) + Paid Expenses (for prior accident years) + Change in PV FCF (for prior accident years) + Change in Risk Adjustment (for prior accident years) = Adjustments to Liabilities for Incurred Claims (E)</p> <p>INSURANCE SERVICE RESULT = (A) – (B) – (C) – (D) – (E)</p> <p>+ Finance Income/Expense from PV FCF + Finance Income/Expense from Risk Adjustment + Finance Income/Expense from Loss Component = Net finance income/expense from insurance (F)</p> <p>OPERATING RESULT = (A) – (B) – (C) – (D) – (E) + (F)</p> <p><u>Cash Flow Movements:</u> + Premium Received - Expense allowance received = Net premiums received</p> <p>+ Claims Paid = Claims Paid</p> <p>+ Paid expenses + Administration expenses = Insurance service expenses paid</p>

Page Number	Sections	Explanation
2	POOL TOTAL <ul style="list-style-type: none"> ❖ Fiscal Year to Date (cumulative fiscal year) <ul style="list-style-type: none"> • Split by Accident Year • Includes Operating Results and Cash Flow Movements 	Same as Page 1 but covering the entire fiscal year to date.
3	POOL TOTAL <ul style="list-style-type: none"> ❖ Years To Date (cumulative all years since inception) <ul style="list-style-type: none"> • Split by Accident Year • Includes Operating Results and Cash Flow Movements 	<p>Same as Page 1 but covering all years to date.</p> <p>Please note: We are unable to retroactively calculate the insurance finance income/expense for all years to date, as we do not have the impact of change in yield for all liabilities since inception of the pool. Therefore, insurance finance income/expense related accounts below only include amounts since November 1, 2021 (the start of our IFRS 17 comparative period).</p> <p>+ Finance Income/Expense from PV FCF + Finance Income/Expense from Risk Adjustment + Finance Income/Expense from Loss Component = Net finance income/expense from insurance (F)</p> <p>Other income/loss attributable to changes in yield prior to this date would be included within the “Change in PV FCF”, “Change in Risk Adjustment” and “Change in Loss Component” life to date amounts.</p>
4	POOL TOTAL <ul style="list-style-type: none"> ❖ IFRS 17 Statement of Financial Position <ul style="list-style-type: none"> • Split by Accident Year ❖ Memo Items <ul style="list-style-type: none"> • Split by Accident Year 	<p>Statement of Financial Position amounts are provided for inclusion in member’s financial statements as required.</p> <p>Memo Item amounts are provided to use as appropriate by the member.</p>
5	MEMBER’S SHARE <ul style="list-style-type: none"> ❖ Month to Date <ul style="list-style-type: none"> • Split by Accident Year • Includes Operating Results and Cash Flow Movements 	Same as Page 1, but including only the member’s share of the operating results and cash flows.

Page Number	Sections	Explanation
6	MEMBER'S SHARE <ul style="list-style-type: none"> • Fiscal Year to Date (cumulative fiscal year) • Split by Accident Year • Includes Operating Results and Cash Flow Movements 	Same as Page 2, but including only the member's share of the operating results and cash flows.
7	MEMBER'S SHARE <ul style="list-style-type: none"> ❖ Years To Date (cumulative all years since inception) • Split by Accident Year • Includes Operating Results and Cash Flow Movements 	Same as Page 3, but including only the member's share of the operating results and cash flows.
8	MEMBER'S SHARE <ul style="list-style-type: none"> ❖ IFRS 17 Statement of Financial Position • Split by Accident Year ❖ Memo Items • Split by Accident Year 	Same as Page 4, but including only the member's share of the liabilities.
9	MEMBER'S SHARE <ul style="list-style-type: none"> ❖ Member's Share of Pool Results • Split by Accident Year ❖ Account Reconciliation • Split by Accident Year 	<p>Member's Share of Pool Results for account settlement calculation. Amount due to / (from) Risk Sharing Pool is the amount in the Total column.</p> <p>Note: Account Reconciliation calculation has not changed under IFRS 17 and the amounts here are identical to the amounts in the IFRS 4 report. Settlement is essentially on a cash basis; premium collected less expenses paid.</p>

Page Number	Sections	Explanation
10	REPORTED BY MEMBER This Month <ul style="list-style-type: none"> ❖ Premium <ul style="list-style-type: none"> • Split by Accident Year ❖ Normal Payments <ul style="list-style-type: none"> • Split by Accident Year ❖ Special Payments <ul style="list-style-type: none"> • Split by Accident Year ❖ Total Payments <ul style="list-style-type: none"> • Split by Accident Year 	<p>Note: This page is unchanged from the IFRS 4 report.</p> <p><u>Gross</u>: Premium charged for risks transferred by the member to the Pool before any calculation of retained premium and expense allowance. <u>Retained</u>: Portion of Gross Premium retained. <u>Transferred</u>: Gross less Retained. <u>Expense Allowance</u>: Percentage that is applied to the transferred premium.</p> <p><u>Gross Paid Losses</u>: Paid Losses for risks transferred by the member to the Pool before any calculation of retained amount. <u>Retained Paid Losses</u>: Portion of Paid Losses retained. <u>Transferred Paid Losses</u>: Gross less Retained. <u>Gross Paid Expenses</u>: Paid Expenses for risks transferred by the member to the Pool before any calculation of retained amount. <u>Retained Paid Expenses</u>: Portion of Paid Expenses retained. <u>Transferred Paid Expenses</u>: Gross less Retained.</p> <p>Paid Loss and Paid Expense reimbursement to Member in advance of monthly Account Reconciliation, as per request. See Normal Payments above for calculation explanation</p> <p>Total of Normal and Special Payment of Paid Losses and Paid Expenses.</p>

Page Number	Sections	Explanation
11	REPORTED BY MEMBER Years To Date <ul style="list-style-type: none"> ❖ Retention <ul style="list-style-type: none"> • Split by Accident Year ❖ Transferred <ul style="list-style-type: none"> • Split by Accident Year 	<p>Note: This page is unchanged from the IFRS 4 report.</p> <p>Portion of Gross Premium, Gross Paid Loss, and Gross Paid Expense computed by the system for retention.</p> <p>Note: <u>Losses and Expenses</u> is the sum of Paid Losses and Expenses, and Outstanding Losses. <u>Outstanding Losses @previous fiscal year end</u> is not used in any calculation.</p> <p>Net = Transferred Premium less Expense Allowance.</p> <p>Note: <u>Losses and Expenses</u> is the sum of Paid Losses and Expenses, and Outstanding Losses. <u>Outstanding Losses @previous fiscal year end</u> is not used in any calculation.</p>

Page Number	Sections	Explanation
12	PROJECTIONS ❖ Operating Results	Projections provided for member use as appropriate <ul style="list-style-type: none"> column [1] shows the actual fiscal YTD results column [2] is an estimate of the first month beyond the current accounting month column [3] is an estimate of the second month beyond the current accounting month column [4] is the current fiscal year's November estimate (remains until the next fiscal year) column [5] is the current fiscal year's December estimate (remains until the next fiscal year) column [6] is the projected year to date operating result as at 2 months beyond the current calendar month column [7] is column [6] from the previous month's report column [8] is the difference of column [6] and [7]. It is the projected change in YTD result from last month's +2 month projection to this month's +2 month projection.
13	PROJECTIONS ❖ IFRS 17 Statement of Financial Position ❖ Memo items	Projected balances as at the end of the next two accounting months beyond the current accounting month. Includes the same quantities as page 4.