FACILITY ASSOCIATION

NEWFOUNDLAND AND LABRADOR

RISK SHARING POOL

MARCH 2023 OPERATIONAL REPORT

ACTUARIAL HIGHLIGHTS

Related Bulletin: Newfoundland and Labrador_RSP_March_2023_Operational_Report

For your convenience, bookmarks have been added to this document. To view them, please click on the BOOKMARK tab at the left.

Should you require any further information, please call Philippe Gosselin, VP Actuarial & CRO at (416) 863-1750 x4968.

ACTUARIAL HIGHLIGHTS

RSP NEWFOUNDLAND AND LABRADOR

OPERATIONAL REPORT

MARCH 2023

TABLE OF CONTENTS

1   Summary

Note to members: this is the quarterly Actuarial Highlights we will release going forward to replace the monthly Actuarial Highlights. The next report will be available for reporting month May 2023 in July 2023, in line with the valuation implementation schedule. Please contact us with any questions or concerns in regards to this matter.

1.1   Valuation Schedule (Fiscal Year 2023)

The March 2023 Operational Report incorporates the results of an updated valuation (as at December 31, 2023) – the impact of the implementation of the valuation is discussed in section 1.2. The following table summarizes the valuation implementations scheduled for fiscal year 2023.

NEWFOUNDLAND AND LABRADOR RISK SHARING POOL FISCAL YEAR 2023 – SCHEDULE OF VALUATIONS			
Valuation Date	**Discount Rate (per annum)**	**Operational Report**	**Description of Changes**
Sep. 30, 2022 (completed)	3.53% mfad 25 bp	Oct. 2023	update valuation (roll-forward): accident year 2023 loss ratio increased 0.2 points to 89.1%; discount rate increased by 37 basis points; no change to selected margins for adverse deviations
Dec. 31, 2022 (completed)	5.56% (IFRS 17 does not have explicit interest rate margin)	Mar. 2023	update valuation: accident year 2023 loss ratio decreased 4.6 points to 95.4%; discount rate increased by 12 basis points based on the risk free rate plus illiquidity premium from FIERA Capital; no change to selected margins for adverse deviations
Mar. 31, 2023	%	May. 2023	
Jun. 30, 2023	%	Aug. 2023	
Sep. 30, 2023	%	Oct. 2023	

Under the proposed schedule for fiscal year 2023, the off-half valuation quarters ending March 31, 2023 and September 30, 2023 would not reflect a full valuation update of assumptions, but would rather roll-forward key assumptions from the previous valuation.

1.2   New Valuation

A valuation of the Newfoundland and Labrador Risk Sharing Pool ("RSP") as at December 31, 2023 has been completed since last month's Operational Report and the results of that valuation have been incorporated into this month's report. The valuation was completed by the Facility Association's internal actuarial group in conjunction with, and approved by, the Appointed Actuary, under the hybrid model for actuarial services. In general, this valuation was **favourable** to the RSP results due

to:

- Lower projected loss ratios used in the valuation affecting most accident years in NL due to experience starting in 2021

The valuation implementation impact is summarized in the following two tables, where the abbreviations PAYs refers to prior accident years, CAY refers to the current accident year (2023) and FtAY refers to future accident year (2024).

Summary of Impact ($000s) of Implementing Result of Valuation as at Dec. 31, 2022[1]

RSP: Newfoundland & Labrador

Summary of Impact	Total $ Impact	YTD COR Impact
LIC for Unpaid Claims	(95)	(12.6%)
Loss Component	(385)	(51.2%)
TOTAL	(479)	(63.8%)

Change in LIC for unpaid claims	nominal [1]	apv adj. [2]	sub-total [3]	disc rate [4]	margins [5]	TOTAL [6]
PAYs	(46)	(0)	(46)	0	-	(46)
CAY	(49)	0	(48)	0	-	(48)
TOTAL	(95)	0	(95)	0	-	(95)

Change in Loss Component	2023 (CAY)	2024 (FtAY)	TOTAL
Opening Loss Component	**966**	**1,397**	**2,363**
[1] Losses on onerous contracts	(156)	(205)	(361)
[2] Discount rate	(9)	(14)	(23)
[3] Reversal of losses on onerous contracts	(127)	(8)	(135)
TOTAL [1]+[2]+[3]	(292)	(228)	(519)
Ending Loss Component	**675**	**1,170**	**1,844**

unfav/(fav) for the month and ytd

As indicated in the preceding table, the incorporation of the new valuation had an estimated ***$479 thousand favourable impact*** on the month's net result from operations, subtracting an estimated 63.8 points to the **year-to-date Combined Operating Ratio**. The favourable LIC impact is primarily driven by lower projected loss ratios, there was no impact from the discount rate impact (claim payment pattern and discount rate impacts are both combined in column [4]). The favourable loss component impact in Newfoundland and Labrador is driven by decreases in accident year 2023 and 2024 expected loss ratios.

The impact of the **nominal changes** on the LIC is shown in column [1] in the above table. The change in the selected nominal ultimates was **favourable by $95 thousand**. This reflects the impact attributable to the changes in the selected ultimate loss ratios (i.e. for each accident year, it is the product of life-to-date earned premium for the accident year and the change in the selected ultimate loss ratio).

The **PAYs** overall showed a **$46 thousand favourable** nominal variance or 1.0% of the PAYs nominal

---

[1]In these tables, "PAYs" refers to prior accident years, "CAY" refers to the current accident year, "FtAY" refers to future accident year, and "LIC" refers to liability for incurred claims. "Nominal" refers to changes excluding impact to discounting and risk adjustment, whereas "apv adj." refers to the impact on discounting and risk adjustment caused by change in the amount and timing of undiscounted liabilities. The columns labeled [1] and [2] reflect the impact of changes in the valuation selected ultimates (i.e. based on unchanged selection of discount rates and risk adjustment). The column "dsct rate" reflects the impact of the change in the selected discount rate and claims payment patterns, and the column "margins" reflects the impact of any changes in the selected risk adjustment.

unpaid balance of $4.9 million determined at the end of last month (February 2023).

The **CAY** LIC impact is a result of the change in the selected loss for accident year **2023 (decreased 4.6 points to 95.4%)**. This change is a result of decreased projected loss ratios in 2023.

The impacts related to actuarial present value ("apv") adjustments are split into the impact prior to any change in the selected discount rate and selected risk adjustment factors (at the level they were selected i.e. jurisdiction and coverage), the impact of then updating the discount rate, and finally the impact of any changes to the risk adjustment factors (at the level they were selected). The changes in actuarial present value adjustments are shown in the preceding summary table in columns [2], [4], and [5].

Column [2] recognizes that changing the nominal selections also changed the unpaid estimates (including changes to the relative mix by coverage). This generated a no change the actuarial present value adjustments, prior to any changes in the selected discount rate and/or risk adjustment.

Updated projected cash flows were reviewed against the risk-free curve plus illiquidity premium calculated monthly by the Fiera Capital Corporation[2] as at Dec. 31, 2023. It is assumed that the risk sharing pool cash flows are relatively illiquid. This means a yield curve with a higher illiquidity premium is used for the discounting calculations. Column [4] accounts for the change in the **discount rate** selected (average discount rate <u>increased</u> 12 basis points to **5.56%**), indicating a slight favourable impact, although this is slightly offset by an update to paid emergence selection completed annually in Q4.

Column [5] accounts for any changes to selected risk adjustment factors. The risk adjustment is based on a discounted cost of capital methodology. Capital factors are derived from MCT risk factors. Cost of Capital is determined from target return on equity and P/S ratio assumptions from pricing. Capital requirement is determined from a target MCT ratio based on industry data. Risk adjustment is calibrated annually and there is no change to the selection this quarter.

Risk Sharing Pools are onerous by design, as RSPs are designed for systematic under-pricing, which is expected to be unprofitable. We are assuming all RSPs are groups of onerous contracts. This means that the losses on these onerous contracts are recognized through a loss component upon initial recognition of the business. The change in the loss component is the sum of:

- [1] Losses on onerous contracts: This is the 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). The table shown above splits out the impact of this item for the CAY and FtAY. The expected loss ratio decreased by 4.6% and 4.0% respectively which corresponds to a combined total of **favourable $361 thousand.**

- [2] Discount rate: This is the change in the loss component due to updating the yield curve. The impact of change in yield curve is **favourable $23 thousand** driven by increased yields between the current and prior valuation.

- [3]: Reversal of losses on onerous contracts: This is the change in the loss component during

---

[2] https://www.fieracapital.com/en/institutional-markets/cia-ifrs-17-curves

the reporting period arising from the portion of the opening LRC earned during the period. This item has been presented in the table above to demonstrate the gradual decline of the loss component expected every month as the losses move from the LRC into the LIC.

Consideration was given to recent legal decisions and changes in legislation / regulation as noted above and outlined in section **Error! Reference source not found.**.

1.3   Appointed Actuary and Hybrid Actuarial Services Model

The Annual General Meeting of the members of Facility Association ("FA") appointed Mr. Cosimo Pantaleo as the Appointed Actuary at its meeting on March 1st, 2023.

Facility Association operates under a hybrid model in relation to the management and provision of actuarial services. Under this model, actuarial services are performed by both Facility Association's internal staff and its external actuarial consulting firm. The hybrid model approach maximizes the efficiency of resource allocation while providing access to additional expertise and capacity as needed.

1.4   Consideration of Recent Legal Decisions and Changes in Legislation / Regulation

Consideration and assessment of potential impacts of legal decisions and changes in legislation / regulation constitutes a regular part of the valuation process. Descriptions of some of the more recent changes (i.e. within the last five years) are provided below.

There have been no significant legal decisions, changes in legislation or regulation recently. When significant items emerge, they will be added to this section.

1.5   Current Provision Summary

The following charts show the current levels of claim liabilities[3] booked by accident year. The left chart displays life-to-date payments, case reserves, IBNR, and the total including actuarial present value adjustments against accident year earned premium. The right chart shows the associated dollar amounts for the components of the claim liabilities and the current projected amount of 2023 full year earned premium (the red hash-mark line) to provide some perspective.
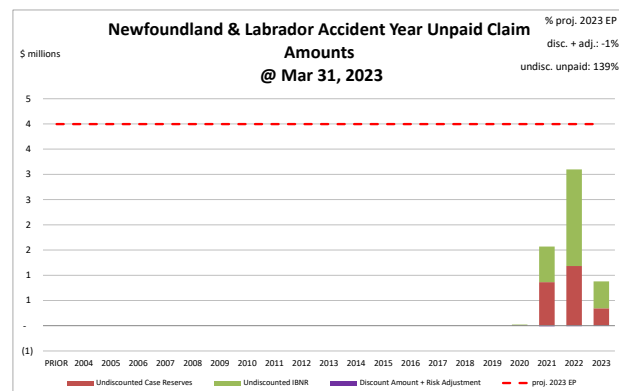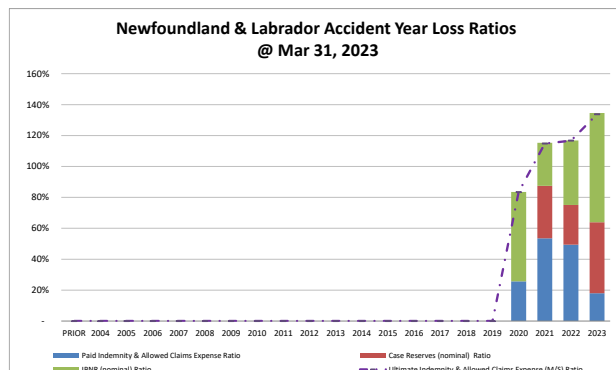
"M/S" refers to "Member Statement" values – that is, actuarial present value adjustments at the selected discount rate.

liability for incurred claims ($000s)

	amt	%
undisc. case	2,392	43.2%
undisc. ibnr	3,177	57.3%
disc. + risk adj.	(27)	(0.5%)
LIC	5,542	100.0%

The current discount and risk adjustments (-$27 thousand – see the following table) represents -1% of the earned premium projected for the full year 2023 (see the upper right corner of the preceding chart on the right). If our current estimates of the nominal unpaid amounts prove to match actual claims payments, the actuarial present value adjustments will be released into the net operating result over future periods.

The table to the left breaks down Liability for Incurred Claims total into component parts, showing that the majority of the claim liabilities for this RSP is in case reserves. Approximately 77% of the IBNR balance relates to accident years 2022 and 2023 (see Exhibit B). Approximately 72% of the liabilities for incurred claims are related to accident years 2022 and 2023 (there are only 4 accident years of experience for RSP Newfoundland so far).

The following tables summarize the liability for remaining coverages and insurance contract liabilities.

liability for remaining coverage ($000s)

	amt	%
LRC excl. disc. LC	930	33.5%
undisc. LC	2,896	104.4%
disc. amt	(1,052)	(37.9%)
LRC	2,774	100.0%

insurance contract liabilities ($000s)

	amt	%
claim	5,569	67.0%
premium	3,827	46.0%
disc. + risk adj.	(1,079)	(13.0%)
LIC + LRC	8,317	100.0%

---

[3]Claim liabilities refer to provision for unpaid indemnity and allowed claims expenses. Allowed claims expenses are first party legal and other expenses as listed in the RSP Claims Guide. Claims expenses paid through the member company expense allowance are NOT included in this discussion.

2   Activity since previous valuation implementation

2.1   Recorded Premium and Claims Activity

The following table summarizes the extent to which premiums and claims amounts recorded since the prior implementation differ from the prior projection.

Newfoundland and Labrador RSP Actual vs Projected Summary: Recorded Transaction Amounts ($ thousands)

AY Group	Share Year	Share Month	Actual Earned Premium (000s)	Actual minus Projected Earned Premium (000s)	Actual Paid Claims (000s)	Actual minus Projected Paid Claims (000s)	Actual Recorded Claims (000s)	Actual minus Projected Recorded Claims (000s)
PAY	2022	November	(1)	(1)	18	(5)	(7)	(18)
		December	-	-	4	(18)	20	9
	2023	January	(1)	(1)	153	(17)	42	(109)
		February	(1)	(1)	93	(78)	192	32
		March	-	-	183	10	65	(94)
PAY Total			**(3)**	**(3)**	**451**	**(108)**	**312**	**(180)**
CAY	2022	November	422	(51)	217	(156)	263	387
		December	416	11	227	(67)	393	222
	2023	January	394	(4)	52	(68)	121	(106)
		February	330	(3)	41	(83)	168	(69)
		March	340	(5)	42	(79)	194	(37)
CAY Total			**1,902**	**(52)**	**579**	**(453)**	**1,139**	**397**
Grand Total			**1,899**	**(55)**	**1,030**	**(561)**	**1,451**	**217**

(Recorded transaction amounts exclude IBNR & other actuarial provisions)

Claims transaction activity is generally volatile and changes from one month to the next are anticipated due to this natural "process variance" (i.e. random variation), and this is particularly true where volumes are low as found in this RSP. Each month, the projection variances are reviewed for signs of projection bias and to identify potential ways to reduce the level of the variance. The variances are also reviewed as part of the quarterly valuation process, as an indicator of changes in the claims development process or potential bias in ultimate claims estimates.

More detailed analysis and commentary on actual vs. projected for the most recent reporting months is provided below.

2.1.a   Actual vs. Projected (AvsP): Earned Premium

The following charts show actual **earned premium**[4] activity in each of the most recent 25 calendar months, along with a "prior 24-month average" to show how each month's actual compares with the average amount of the preceding 24 calendar months.

---

[4]Premium is earned on a daily basis based on the transaction term measured in days. As a result, months with 31 days earned relatively more than those with 30 days, and February earns the least.

*Newfoundland and Labrador RSP Actual **Earned Premium** by Calendar Month*
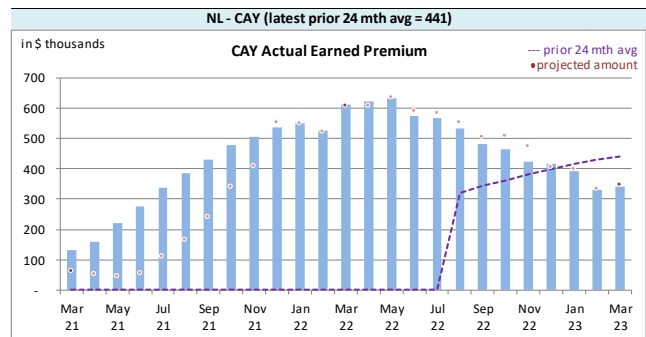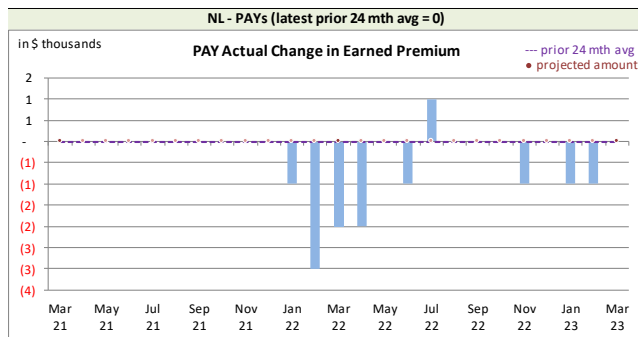
On Latest	$ thousands	
Earned Premium	PAYs	CAY
Mthly Avg EP Chg (prior 24 mths)	-	441
std dev	1	141
A-P <> std dev	-	-
% <> std dev	0.0%	0.0%
norm <> std dev	31.7%	31.7%
performance vs 24-mth avg:	better	better

Earned premium changes during a given calendar month in relation to prior accident years tend to be at modest levels, although relatively high levels generally occur at the beginning of each year.

The associated variance between the actual changes and the projections from the previous month are shown in the following charts. **Earned premium** change projections are all attributed to the current accident year as the projection upload does not accept **earned premium** changes for other accident years. We do not see this limitation as being significant for our purposes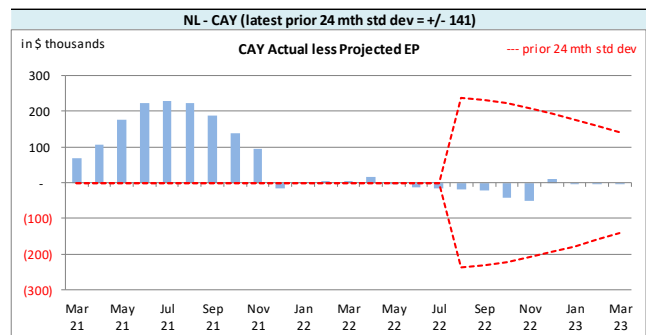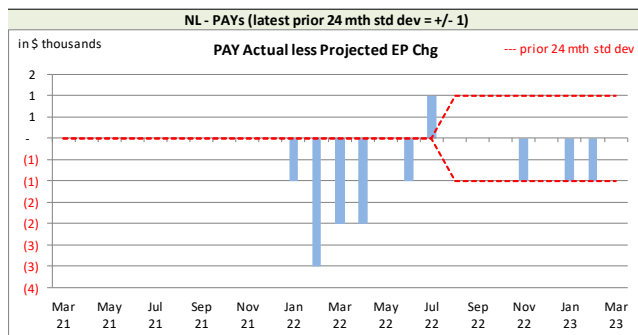, but it does mean that the actual less projection variance will equal the actual **earned premium** change in relation to prior accident years.

*Newfoundland and Labrador RSP Actual vs. Projected Summary: **Earned Premium** Variances by Calendar Month*

We project **earned premium** changes from known unearned premium balances and projected written premium levels, but upload the total projections as current accident year (CAY). This process has generated prior accident years' (PAYs) bias[5], with actuals generally lower than projected, although the magnitude is not high relative to monthly premium. In addition to the PAYs' bias, the CAY has also shown bias[6], with actuals being generally lower than projected, and while we modified our projections processes in response, bias still exists. Over time, we may consider other projection

---

[5]The PAYs' variances will show bias as the projection upload forces all earned premium projections to be attributed to the CAY.

[6]We measure bias based on a 95% confidence range for a binominal distribution with trials based on the range being considered (25 in this case) and 50% probability of success. The rolling 25-month CAY variances at May 2023 has only 7 months where the actuals were higher than projected, and as the 95% confidence range is 8 to 17, bias continues to be indicated.

approaches to address the bias issue, but it is not currently deemed as priority.

2.1.b   AvsP: Recorded Indemnity & Allowed Claims Expense

The following charts show actual **recorded** activity (**paid** and case reserve changes), in each of the most recent 25 calendar months, along with a "prior 24-month average" to show how each month's actual compares with the average amount of the preceding 24 calendar months.

*Newfoundland and Labrador RSP Actual **Recorded** by Calendar Month*
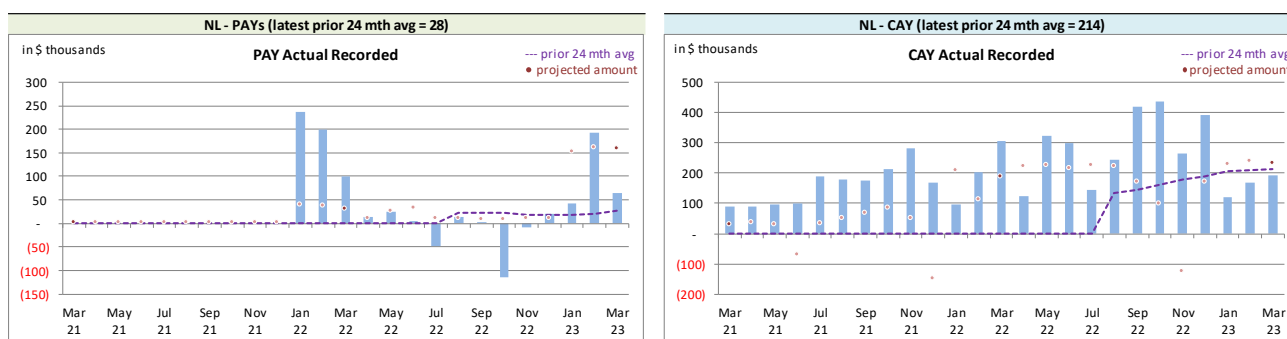
Recorded activity variances from the previous month's projections are shown in the following charts, including the "prior 24-month standard deviation" levels to show how the variances from projection compare with historical standard deviations.

*Newfoundland and Labrador RSP Actual vs Projected Summary: **Recorded** Variances by Calendar Month*
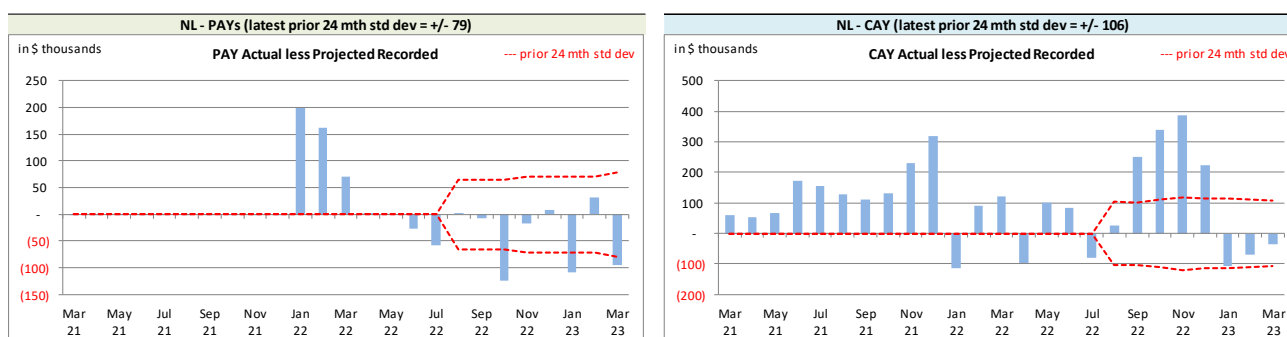
On Latest $ thousands		
Recorded	PAYs	CAY
Mthly Avg Recorded (prior 24 mths)	28	214
std dev	79	106
A-P <> std dev	-	-
% <> std dev	0.0%	0.0%
norm <> std dev	31.7%	31.7%
performance vs 24-mth avg:	better	better

With respect to **recorded** indemnity & allowed claims expense activity, caution must be exercised in reviewing the variances as this is a small pool and single claim transactions that are normal course for the business may look unusual and generate relatively significant variances that in nominal value terms are not that significant in relative or overall terms. That said, no enough data has been collected for the **recorded** variance as we look at the last 25 calendar months. No bias has been indicated for the Newfoundland and Labrador RSP at this time for both Current accident year (CAY) and prior accident year (PAY)

The method for establishing IBNR adjusts automatically for changes in **earned premium** and **recorded** claims activity level (see sections 2.2 and 3).

We have included, for reference, the following charts related to levels influencing **recorded** activity. Note in particular the increase in the level of PAY beginning IBNR. Part of this will be as a response to valuations and showing up as a beginning IBNR change one month after the valuation is implemented (i.e. April, June, September, and November), and part will also reflect the maturity level of the RSP.

*Newfoundland and Labrador RSP Levels that influence[7] **Recorded** activity by Calendar Month*
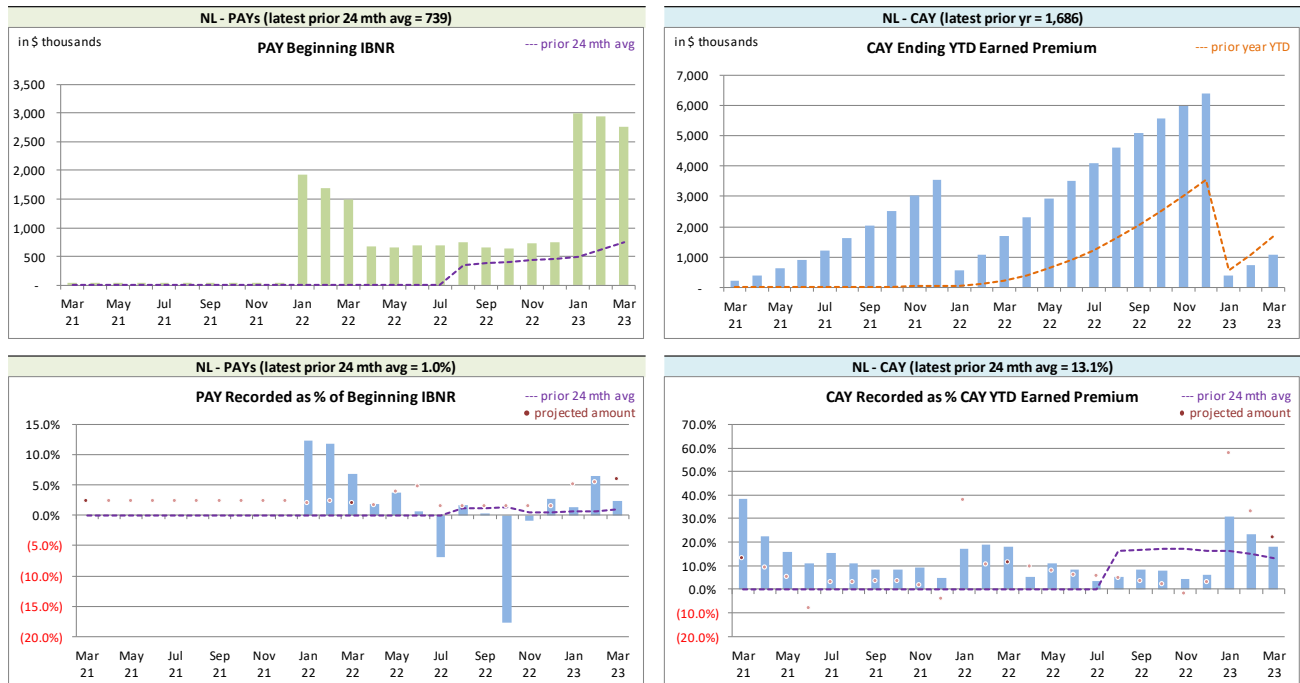
We track PAY beginning IBNR as **recorded** activity comes out of IBNR. Changes in the PAY beginning IBNR (see upper left of the preceding group of charts) occur for several possible reasons:

- to offset actual **recorded** activity (through loss ratio matching);

- the annual switchover as a CAY becomes a PAY (occurs in January); and

- when a new valuation is implemented, where the valuation resulted in changes to the selection of PAYs' ultimates (will show up as a beginning IBNR change one month after the valuation is implemented, i.e. the change will generally show in April, June, September, and November).

2.1.c   AvsP: Paid Indemnity & Allowed Claims Expense

The following charts show actual **paid** activity in each of the most recent 25 calendar months, along with a "prior 24-month average" to show how each month's actual compares with the average amount of the preceding 24 calendar months.

---

[7]Our recorded activity projections for the prior accident years are based on selected ratios of recorded activity to beginning unpaid balances, whereas the current accident year projections are based on selected ratios of year-to-date IBNR to year-to-date selected ultimate (i.e. selected LR x earned premium), deriving year-to-date recorded as selected ultimate less IBNR. In both cases, the ratio selection is based on our review of the more recent recorded activity and recent AvsP analyses.

*Newfoundland and Labrador RSP Actual **Paid** by activity Calendar Month*
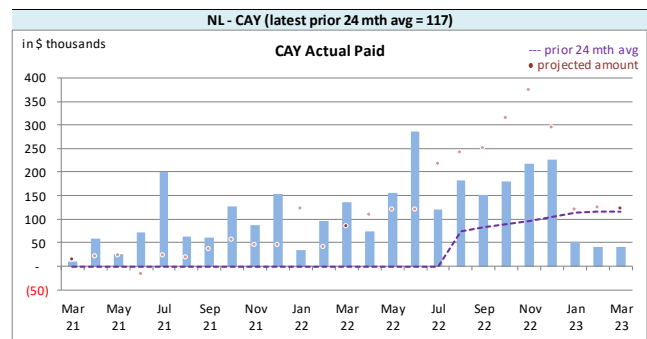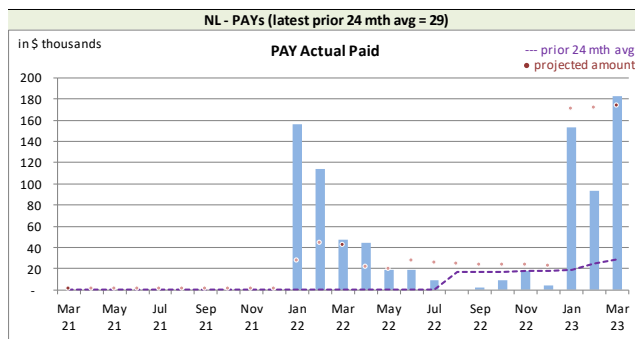
Paid activity variances from the previous month's projections are shown in the following charts, including the "prior 24-month standard deviation" levels to show how the variances from projection compare with historical standard deviations.

*Newfoundland and Labrador RSP Actual vs Projected Summary: **Paid** Variances by Calendar Month*
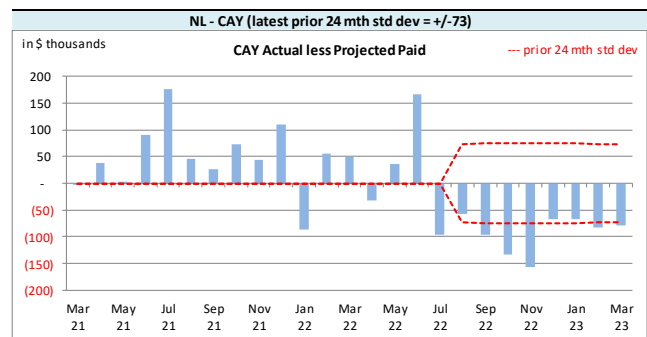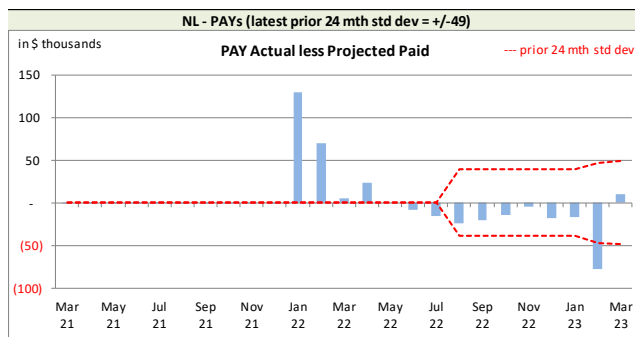
On Latest $ thousands		
Paid	PAYs	CAY
Mthly Avg Paid (prior 24 mths)	29	117
std dev	49	73
A-P <> std dev	-	-
% <> std dev	0.0%	0.0%
norm <> std dev	31.7%	31.7%
performance vs 24-mth avg:	better	better

With respect to **paid** indemnity & allowed claims expense activity, caution must be exercised in reviewing the variances as this is a small pool and single claim transactions that are normal course for the business may look unusual and generate relatively significant variances that in nominal value terms are not that significant in relative or overall terms. That said, no enough data has been collected for the **recorded** variance as we look at the last 25 calendar months. No bias has been indicated for the Newfoundland and Labrador RSP at this time for both Current accident year (CAY) and prior accident year (PAY).

We have included, for reference, the following charts related to levels influencing **paid** activity. Both case and IBNR increases contribute to the increase of PAY beginning unpaid. This is somewhat expected, given the maturity level of the RSP.

*Newfoundland and Labrador RSP Levels that influence[8] **Paid** activity by Calendar Month*

NL - PAYs (latest prior 24 mth avg = 1,365)
PAY Beginning Unpaid
in $ thousands
--- prior 24 mth avg
IBNR
case

NL - CAY (latest prior yr = 1,686)
CAY Ending YTD Earned Premium
in $ thousands
--- prior year YTD

NL - PAYs (latest prior 24 mth avg = 1.0%)
PAY Paid as % Beginning Unpaid
--- prior 24 mth avg
• projected amount

NL - CAY (latest prior 24 mth avg = 6.1%)
CAY Paid as % CAY YTD Earned Premium
--- prior 24 mth avg
• projected amount

We track the PAY beginning unpaid balance (case and IBNR) as **paid** activity comes out of the unpaid balance. Changes in the PAY beginning unpaid balance (see upper left of the preceding group of charts) occur for several possible reasons:

- to offset actual **paid** activity (may reduce case or IBNR or both);

- the annual switchover as a CAY becomes a PAY (occurs in January); and

- when a new valuation is implemented, where the valuation resulted in changes to the selection of PAYs' ultimates (will show up as a beginning unpaid balance change one month after the valuation is implemented, i.e. the change will generally show in April, June, September, and November).

2.2 Actuarial Provisions

An ultimate loss ratio matching method (described in section 3) was used to determine the month's IBNR[9], and factors were applied to the nominal unpaid claims liability (case plus IBNR) to determine the discount amount (shown as a negative value to indicate its impact of reducing the liability) and the Provisions for Adverse Deviations. The loss ratios and the factors used to determine the current month's provisions and projections were based on the applicable valuation.

Exhibit G shows the accident year IBNR amount change from last month to this month broken down

---

[8]Our paid projections for the prior accident years are based on selected ratios of paid to beginning unpaid balances, whereas the current accident year projections are based on selected ratios of year-to-date paid to year-to-date selected ultimate indemnity (i.e. selected LR x earned premium). In both cases, the ratio selection is based on our review of the more recent recorded activity and recent AvsP analyses.

[9]For ease of discussion, "IBNR" is used in place of "provisions for incurred but not recorded (IBNR) and development".

into:

  (i)   the change projected last month;

  (ii)   the additional change due to variances in earned premium (because we apply a loss ratio to earned premium in determining ultimate level) and/or recorded claims (as IBNR is calculated as ultimate less recorded) differences; and

  (iii) the additional change due to valuation implementation impacts (as applicable)

3   Ultimate Loss Ratio Matching Method

An "ultimate loss ratio matching method" continues to be applied to the current month and two projected months shown in the Operational Reports, with IBNR determined by accident year as follows:

  (a)   Earned premium to-date
  (b)   Ultimate loss[10] ratio per latest valuation
  (c)   Estimated ultimate incurred = (a) x (b)
  (d)   Recorded indemnity & allowed claims expense to-date
  (e)   IBNR = (c) – (d)

4   Calendar Year-to-Date Results

The following table summarizes the calendar year-to-date results for indemnity & allowed claims expenses[11], including IBNR.

In calculating the amounts as percentages of earned premium, the calendar year-to-date earned premium has been used, which includes not only the earned premium associated with the current accident year, but also earned premium adjustments related to prior accident years. Specifically, the current accident year (CAY) ratio in the table is 95.4% matching the 95.4% from the valuation ultimate ratio for accident year 2023, as the calendar year-to-date earned premium includes prior accident year earned premium adjustments. (Note that the ratios in this table may differ slightly from those shown in the Newfoundland and Labrador RSP Summary of Operations due to rounding.)

Newfoundland and Labrador RSP Calendar Year-to-Date Indemnity & Allowed Claims Expense Summary ($ thousands)

	YTD Nominal Values		YTD actuarial present value adjustment		YTD Total	
	Amount	%EP	Amount	%EP	Amount	%EP
PAYs	(48)	(4.5%)	23	2.2%	(25)	(2.3%)
CAY	1,014	95.4%	(7)	(0.6%)	1,008	94.8%
TOTAL	966	90.9%	17	1.6%	983	92.5%

("% EP" based on 2023 calendar year-to-date earned premium; ratios may not total due to rounding)

---

[10]"Loss" here refers to indemnity and allowed claims expenses, but does not include the claims expense allowance included in member company overall expense allowances ("Expense Allowance" in the Operational Report).

[11]Allowed claims expenses are first party legal and other expenses as listed in the RSP Claims Guide. Claims expenses paid through the member company expense allowance are NOT included in this analysis.

In general, prior accident years (PAYs) changes from last month are due to the release of the actuarial present value adjustments with claims payments, except when valuations are implemented. The loss ratio change year-to-date in Table 04 reflects not only changes in the prior accident year levels, but also the increase in the calendar year-to-date earned premium with an additional month's earned premium, and due to the impact of valuation implementation.

For the current accident year (CAY), changes in the year-to-date total reflects the additional month's exposure and regular changes to actuarial present value adjustments as the year ages, and due to the impact of valuation implementation.

5   Current Operational Report – Additional Exhibits

Section 6 provides exhibits pertaining to the actuarial provisions reflected in the current month's Operational Report.

IBNR (including actuarial present value adjustments) presented in section 6, Exhibit A, were derived on a discounted basis, and therefore reflect the time value of money and include an explicit provision for adverse deviations in accordance with accepted actuarial practice in Canada.

IBNR presented in section 6, Exhibit B, does NOT include any actuarial present value adjustments. The "Total IBNR" from this exhibit is shown in the Operational Report as "Undiscounted IBNR".

The ultimate loss ratios detailed in section 6, Exhibit B, refer to the estimates derived on the basis of various actuarial methodologies applied to the experience of the Newfoundland and Labrador Risk Sharing Pool for the purposes of the most recent quarterly valuation. As discussed in section 3, IBNR reflected in the current month's Operational Report was derived as the difference between the estimated ultimate for the claims amount (i.e. earned premium x ultimate loss ratio) and the associated current recorded amounts (life-to-date payments plus current case reserves).

In addition to the exhibits printed below, we are making supplementary data files available for download from our website for members who require additional detailed data on the LRC calculation as well as the payment patterns and actual and projected premiums, risk adjustment, interest rate, loss ratios and expenses of the pools.

6   EXHIBITS

The exhibits listed below are provided on the pages that follow:

EXHIBIT A   IBNR for Member Sharing – includes Actuarial Present Value Adjustments

EXHIBIT B   IBNR

EXHIBIT C   Liability for Remaining Coverage

EXHIBIT D   Projected Year-end Policy Liabilities

EXHIBIT E   Risk Adjustment & Discount Rate

EXHIBIT F   Interest Rate Sensitivity

EXHIBIT G   Components of IBNR Change During Month

Additional exhibits available online:

LRC Calculation file

Detailed valuation results

EXHIBIT A

IBNR for Member Sharing – includes Actuarial Present Value Adjustments

EXHIBIT A - IBNR + M/S Actuarial Present Value Adjustments: RSP Newfoundland & Labrador									
amounts in $000s									
Accident Year	Actual Feb 2023	Actual Mar 2023	Projected Apr 2023	Projected May 2023	Projected Jun 2023	Projected Jul 2023	Projected Aug 2023		Projected Dec 2023
prior	-	-	-	-	-	-	-		-
2004	-	-	-	-	-	-	-		-
2005	-	-	-	-	-	-	-		-
2006	-	-	-	-	-	-	-		-
2007	-	-	-	-	-	-	-		-
2008	-	-	-	-	-	-	-		-
2009	-	-	-	-	-	-	-		-
2010	-	-	-	-	-	-	-		-
2011	-	-	-	-	-	-	-		-
2012	-	-	-	-	-	-	-		-
2013	-	-	-	-	-	-	-		-
2014	-	-	-	-	-	-	-		-
2015	-	-	-	-	-	-	-		-
2016	-	-	-	-	-	-	-		-
2017	-	-	-	-	-	-	-		-
2018	-	-	-	-	-	-	-		-
2019	-	-	-	-	-	-	-		-
2020	22	22	19	16	13	11	9		2
2021	591	694	655	615	574	528	482		310
2022	2,116	1,908	1,747	1,587	1,427	1,312	1,196		895
2023	431	526	556	582	597	604	609		786
TOTAL	3,160	3,150	2,977	2,800	2,611	2,455	2,296		1,993
Change		(10)	(173)	(177)	(189)	(156)	(159)		

discount rate:
5.56%

weighted average
risk adjustment factor:
7.33%

Please see Exhibit G, page 1 for Components of Change during Current Month

EXHIBIT B

IBNR

Ultimate Loss Ratio	Accident Year	Actual Feb 2023	Actual Mar 2023	Projected Apr 2023	Projected May 2023	Projected Jun 2023	Projected Jul 2023	Projected Aug 2023	Projected Dec 2023
		EXHIBIT B - Undiscounted IBNR: RSP Newfoundland & Labrador							
	amounts in $000s								
	prior	-	-	-	-	-	-	-	-
0.0%	2004	-	-	-	-	-	-	-	-
0.0%	2005	-	-	-	-	-	-	-	-
0.0%	2006	-	-	-	-	-	-	-	-
0.0%	2007	-	-	-	-	-	-	-	-
0.0%	2008	-	-	-	-	-	-	-	-
0.0%	2009	-	-	-	-	-	-	-	-
0.0%	2010	-	-	-	-	-	-	-	-
0.0%	2011	-	-	-	-	-	-	-	-
0.0%	2012	-	-	-	-	-	-	-	-
0.0%	2013	-	-	-	-	-	-	-	-
0.0%	2014	-	-	-	-	-	-	-	-
0.0%	2015	-	-	-	-	-	-	-	-
0.0%	2016	-	-	-	-	-	-	-	-
0.0%	2017	-	-	-	-	-	-	-	-
0.0%	2018	-	-	-	-	-	-	-	-
0.0%	2019	-	-	-	-	-	-	-	-
58.6%	2020	22	22	19	16	12	10	9	1
82.4%	2021	604	706	659	612	566	513	461	271
84.0%	2022	2,129	1,916	1,755	1,595	1,434	1,319	1,203	901
95.4%	2023	436	533	564	591	607	616	622	805
	TOTAL	3,190	3,177	2,997	2,814	2,620	2,459	2,295	1,979
	Change		(14)	(180)	(183)	(195)	(161)	(164)	

Please see Exhibit G, page 2 for Components of Change during Current Month

EXHIBIT C

Premium for Remaining Coverage

EXHIBIT C - Liability for Remaining Coverage: RSP Newfoundland & Labrador								
amounts in $000s	Actual	Actual	Projected	Projected	Projected	Projected	Projected	Projected
Accident Year	Feb 2023	Mar 2023	Apr 2023	May 2023	Jun 2023	Jul 2023	Aug 2023	Dec 2023
LRC excl. Loss Component								
2023	1,031	910	819	792	709	663	580	(1)
2024	4	20	49	138	310	437	580	1,143
2025	-	-	-	-	-	-	-	-
2026	-	-	-	-	-	-	-	-
Total	**1,034**	**930**	**868**	**930**	**1,019**	**1,100**	**1,160**	**1,142**
Undiscounted Loss Component								
2023	1,410	1,075	966	860	754	645	538	-
2024	2,032	1,821	1,821	1,821	1,821	1,821	1,821	1,821
2025	-	-	-	-	-	-	-	-
2026	-	-	-	-	-	-	-	-
Total	**3,443**	**2,896**	**2,788**	**2,681**	**2,575**	**2,466**	**2,360**	**1,821**
Discounted Loss Component								
2023	966	675	610	545	480	413	346	-
2024	1,397	1,170	1,173	1,174	1,169	1,170	1,171	1,188
2025	-	-	-	-	-	-	-	-
2026	-	-	-	-	-	-	-	-
Total	**2,363**	**1,844**	**1,783**	**1,719**	**1,649**	**1,582**	**1,517**	**1,188**
LRC incl. Loss Component								
2023	1,997	1,584	1,429	1,338	1,190	1,076	926	(1)
2024	1,401	1,190	1,222	1,312	1,479	1,607	1,751	2,331
2025	-	-	-	-	-	-	-	-
2026	-	-	-	-	-	-	-	-
Total	**3,398**	**2,774**	**2,651**	**2,649**	**2,669**	**2,683**	**2,677**	**2,330**

EXHIBIT D

Projected Year-end Policy Liabilities

The table below presents the projected policy liabilities as at December 31, 2023, broken down by component.

Newfoundland & Labrador	Projected Balances as at Dec. 31, 2023 ($000s)											

Ending 2023	nominal values			actuarial present value adjustments (apvs)								
Accident Year	Case	IBNR	Total Unpaid	Discount Amount	Risk Adjustment	Liability for Incurred Claims (LIC)	Discounted Loss Component	Undiscounted Loss Component	Discount Amount	Liability for Remaining Coverage (LRC)	LRC excl. Loss Component	Total Insurance Contract Liabilities
prior	-	-	-	-	-	-	-	-	-	-	-	-
2004	-	-	-	-	-	-	-	-	-	-	-	-
2005	-	-	-	-	-	-	-	-	-	-	-	-
2006	-	-	-	-	-	-	-	-	-	-	-	-
2007	-	-	-	-	-	-	-	-	-	-	-	-
2008	-	-	-	-	-	-	-	-	-	-	-	-
2009	-	-	-	-	-	-	-	-	-	-	-	-
2010	-	-	-	-	-	-	-	-	-	-	-	-
2011	-	-	-	-	-	-	-	-	-	-	-	-
2012	-	-	-	-	-	-	-	-	-	-	-	-
2013	-	-	-	-	-	-	-	-	-	-	-	-
2014	-	-	-	-	-	-	-	-	-	-	-	-
2015	-	-	-	-	-	-	-	-	-	-	-	-
2016	-	-	-	-	-	-	-	-	-	-	-	-
2017	-	-	-	-	-	-	-	-	-	-	-	-
2018	-	-	-	-	-	-	-	-	-	-	-	-
2019	-	-	-	-	-	-	-	-	-	-	-	-
2020	14	1	15	(1)	2	16	-	-	-	-	-	16
2021	871	271	1,142	(86)	125	1,181	-	-	-	-	-	1,181
2022	1,405	901	2,306	(249)	243	2,300	-	-	-	-	-	2,300
PAYs subtotal	2,290	1,174	3,464	(337)	370	3,497	-	-	-	-	-	3,497
CAY (2023)	1,755	805	2,560	(288)	269	2,541	-	-	-	(1)	(1)	2,540
FtAY (2024)	-	-	-	-	-	-	1,188	1,821	(634)	2,331	1,143	2,331
Total	4,044	1,979	6,024	(625)	639	6,038	1,188	1,821	(634)	2,330	1,142	8,367

EXHIBIT E

Risk Adjustment & Discount Rate

The tables below present selected risk adjustment factor by coverage (the total is a weighted average, based on the unpaid claims projection for December 31, 2023 from the valuation), followed by the selected discount rate.

Risk Adjustment Factors: RSP Newfoundland & Labrador

Coverage	Government Line	foundland & Labrador
Bodily Injury	Third Party Liability	12.83%
Property Damage (w DCPD)	Third Party Liability	1.96%
AccBen (indivis)	Accident Benefits	7.06%
Uninsured Automobile	Accident Benefits	7.08%
Underinsured Motorist	Other Coverages	12.72%
Collision w AP	Other Coverages	1.61%
Comprehensive w SP	Other Coverages	1.25%
Total	Total	7.33%

discount rate: 5.56%

EXHIBIT F

Interest Rate Sensitivity

The tables below present sensitivity to the member statement claims liability as projected to Dec. 31, 2023 from the latest valuation date (projections in exhibits A to D are to Dec. 31, 2023, and are based on more up-to-date information). We have included the most recent valuation selection (5.56%), the prior valuation assumption (3.61%) and the prior fiscal year end valuation assumption (0.76%) for comparative purposes. A 25 basis point margin for investment return adverse deviation is used in all scenarios presented.

AY	Actuarial Present Value of Provisions at Various Discount Rates - Dec. 31, 2023 projected Unpaid							
	4.56%	5.06%	5.56%	6.06%	6.56%	7.06%	3.61%	3.61%
2005 & prior	-	-	-	-	-	-	-	-
2005	-	-	-	-	-	-	-	-
2006	-	-	-	-	-	-	-	-
2007	-	-	-	-	-	-	-	-
2008	-	-	-	-	-	-	-	-
2009	-	-	-	-	-	-	-	-
2010	-	-	-	-	-	-	-	-
2011	-	-	-	-	-	-	-	-
2012	-	-	-	-	-	-	-	-
2013	-	-	-	-	-	-	-	-
2014	-	-	-	-	-	-	-	-
2015	-	-	-	-	-	-	-	-
2016	-	-	-	-	-	-	-	-
2017	-	-	-	-	-	-	-	-
2018	-	-	-	-	-	-	-	-
2019	-	-	-	-	-	-	-	-
2020	14	14	14	14	13	13	14	14
2021	1,026	1,015	1,005	995	985	976	1,047	1,047
2022	2,245	2,223	2,201	2,180	2,159	2,139	2,290	2,290
Total	5,358	5,304	5,251	5,200	5,151	5,103	5,464	5,464
	curr - 100 bp	curr - 50 bp	curr val assumption	curr + 50bp	curr + 100bp	curr + 150bp	prior val assumption	prior fyr end assumption

AY	Dollar Impact Relative to Valuation Assumption							
	4.56%	5.06%	5.56%	6.06%	6.56%	7.06%	3.61%	3.61%
Total	106	52	-	(51)	(101)	(149)	213	213
	curr - 100 bp	curr - 50 bp	curr val assumption	curr + 50bp	curr + 100bp	curr + 150bp	prior val assumption	prior fyr end assumption

AY	Percentage Impact Relative to Valuation Assumption							
	4.56%	5.06%	5.56%	6.06%	6.56%	7.06%	3.61%	3.61%
2005 & prior	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
2005	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
2006	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
2007	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
2008	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
2009	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
2010	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
2011	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
2012	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
2013	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
2014	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
2015	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
2016	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
2017	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
2018	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
2019	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
2020	2.1%	1.0%	0.0%	-1.0%	-2.0%	-2.9%	4.3%	4.3%
2021	2.1%	1.0%	0.0%	-1.0%	-2.0%	-2.9%	4.1%	4.1%
2022	2.0%	1.0%	0.0%	-1.0%	-1.9%	-2.8%	4.0%	4.0%
2023	2.0%	1.0%	0.0%	-1.0%	-1.9%	-2.8%	4.0%	4.0%
Total	2.0%	1.0%	0.0%	-1.0%	-1.9%	-2.8%	4.0%	4.0%
	curr - 100 bp	curr - 50 bp	curr val assumption	curr + 50bp	curr + 100bp	curr + 150bp	prior val assumption	prior fyr end assumption

Components of Member Statement IBNR (i.e. "Discounted") Change

EXHIBIT G - Components of Change in M/S IBNR (i.e. IBNR + Discount Amount + Risk Adjustment): RSP Newfoundland & Labrador							
10/31/2022 to 3/31/2023							
amounts in $000s							
Accident Year	Prior Implementation Month	Projected Change	Change Due to AvsP Variances	Change Due to Valuation Implementation	Total Change	% of Total Change	Current Month Final Amount
prior	-	-	-	-	-	-	-
2004	-	-	-	-	-	-	-
2005	-	-	-	-	-	-	-
2006	-	-	-	-	-	-	-
2007	-	-	-	-	-	-	-
2008	-	-	-	-	-	-	-
2009	-	-	-	-	-	-	-
2010	-	-	-	-	-	-	-
2011	-	-	-	-	-	-	-
2012	-	-	-	-	-	-	-
2013	-	-	-	-	-	-	-
2014	-	-	-	-	-	-	-
2015	-	-	-	-	-	-	-
2016	-	-	-	-	-	-	-
2017	-	-	-	-	-	-	-
2018	-	-	-	-	-	-	-
2019	-	-	-	-	-	-	-
2020	22	(17)	17	(0)	(0)	(0.3%)	22
2021	703	(238)	135	94	(9)	(1.3%)	694
2022	2,172	1,690	(1,807)	(147)	(264)	(12.2%)	1,908
2023	-	375	202	(51)	526	-	526
TOTAL	2,897	1,811	(1,454)	(104)	253	8.7%	3,150

EXHIBIT G

Components of IBNR (i.e. "Undiscounted") Change

	EXHIBIT G - Components of Change in Undiscounted IBNR: RSP Newfoundland & Labrador						
	10/31/2022 to 3/31/2023						
amounts in $000s							
Accident Year	Prior Implementation Month	Projected Change	Change Due to AvsP Variances	Change Due to Valuation Implementation	Total Change	% of Total Change	Current Month Final Amount
prior	-	-	-	-	-	-	-
2004	-	-	-	-	-	-	-
2005	-	-	-	-	-	-	-
2006	-	-	-	-	-	-	-
2007	-	-	-	-	-	-	-
2008	-	-	-	-	-	-	-
2009	-	-	-	-	-	-	-
2010	-	-	-	-	-	-	-
2011	-	-	-	-	-	-	-
2012	-	-	-	-	-	-	-
2013	-	-	-	-	-	-	-
2014	-	-	-	-	-	-	-
2015	-	-	-	-	-	-	-
2016	-	-	-	-	-	-	-
2017	-	-	-	-	-	-	-
2018	-	-	-	-	-	-	-
2019	-	-	-	-	-	-	-
2020	22	(16)	16	(0)	0	0.1%	22
2021	715	(230)	120	101	(9)	(1.2%)	706
2022	2,200	1,293	(1,431)	(147)	(284)	(12.9%)	1,916
2023	-	381	201	(49)	533	-	533
TOTAL	2,937	1,428	(1,094)	(95)	240	8.2%	3,177