

TO: MEMBERS OF THE FACILITY ASSOCIATION

ATTENTION: CHIEF EXECUTIVE OFFICER

BULLETIN NO: F2023-035

DATE: April 28, 2023

SUBJECT: Newfoundland and Labrador Risk Sharing Pool
– March 2023 Operational Report

A copy of this bulletin should be provided to your Chief Financial Officer and Appointed Actuary.

Please be advised that the March 2023 Newfoundland and Labrador Risk Sharing Pool IFRS 17 Operational Report is available on the Facility Association (FA) Portal at <https://portal.facilityassociation.com>.

The results in this report are shown on the IFRS 17 accounting basis. However, please note that for interested members, the RSP operational report on the IFRS 4 basis are available on the FA Portal.

Highlights (IFRS 17)

- (a) The **March 2023 received premium** was \$205 thousand, lower than prior year by \$327 thousand. The **projected 2023 year-end received premium** is \$3.9 million;
- (b) The **March 2023 insurance revenue** was \$237 thousand, lower than prior year by \$200 thousand. The **projected 2023 year-end insurance revenue** is \$2.7 million;
- (c) The **March 2023 operating result** was a \$442 thousand, lower than prior year by \$247 thousand. The **projected 2023 year-end operating result** is a deficit of \$1.4 million;
- (d) The **March 2023 combined operating ratio** was -86.6%, lower than prior year by 29.0 percentage points. The **projected year-end combined operating ratio** is 152.2%;
- (e) The implementation of the **2022 Q4 Valuation**, generated **\$0.5 million favourable impact** for the month, increasing the **year-end combined operating Ratio** by 63.8 percentage points.

Summary of Financial Results

NL RSP Summary of IFRS17 Financial Results

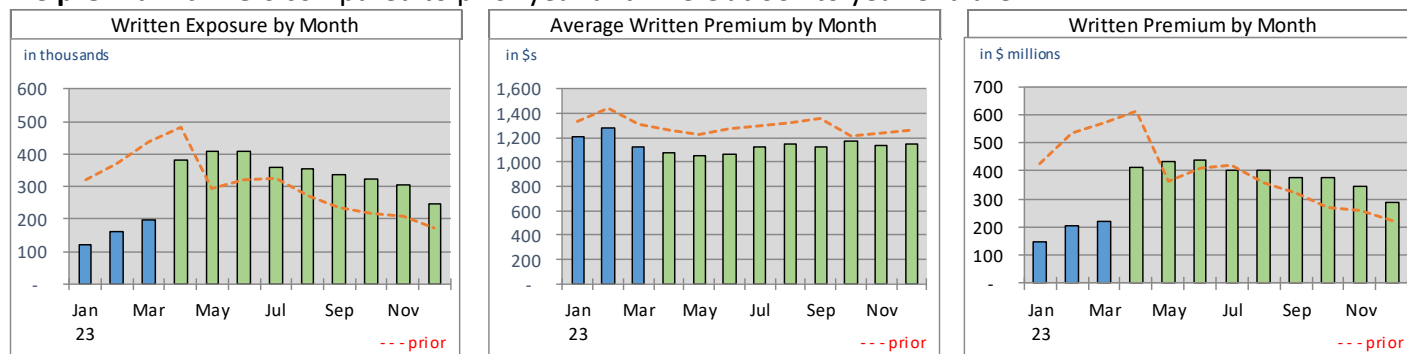
NL RSP 2023 Summary	Actual (March 2023)	Projection (March 2023)	Prior Year (March 2022)	2023 year-to-date as at 3 months	2022 year-to-date as at 3 months	2023 year-end Projection	Outlook* Full year 2023	2022 year-end Actual
Amounts in \$000s								
Written Premium	220	387	573	572	1,534	4,039	4,090	4,755
Received Premium	205	206	532	571	1,277	3,974	4,149	4,847
Earned Premium	339	345	608	1,061	1,680	3,996	4,339	6,388
Earned Expense Allowance	(102)	(107)	(171)	(309)	(475)	(1,257)	(1,371)	(1,796)
Insurance Revenue	237	238	437	752	1,205	2,739	2,968	4,592
Total Claims Incurred	247	350	(27)	982	1,065	3,822	4,390	4,974
Claims incurred (CAY)	291	343	659	1,010	1,749	3,797	4,319	5,670
Adjustments to Liabilities for Incurred Claims (PAYs)	(45)	7	(686)	(28)	(684)	25	71	(696)
Administrative Expense	66	15	47	187	128	323	162	708
Losses on Onerous Contracts	(361)	0	125	1,038	1,871	1,038	1,347	1,552
Reversal of Losses on Onerous Contracts	(135)	(85)	(314)	(336)	(1,730)	(992)	(1,160)	(2,337)
Insurance Service Expenses	(183)	279	(169)	1,871	1,334	4,191	4,739	4,897
Insurance Service Result	420	(42)	606	(1,119)	(129)	(1,452)	(1,770)	(305)
Insurance Finance Expense from PV FCF	(1)	0	16	(1)	16	(1)	0	262
Insurance Finance Expense from Risk Adjustment	(0)	0	2	(0)	2	(0)	0	28
Insurance Finance Expense from Loss Component	23	0	65	23	65	23	0	531
Insurance Finance Income (Expense)	22	0	82	22	82	22	0	821
Operating Result	442	(42)	689	(1,097)	(47)	(1,430)	(1,770)	517
Ratios:								
Loss ratio - Claims Incurred (CAY)	123.0%	144.2%	150.7%	134.3%	145.1%	138.6%	145.5%	123.5%
- Adjustments to Liabilities for Incurred Claims (PAYs)	(18.9%)	2.9%	(157.0%)	(3.7%)	(56.8%)	0.9%	2.4%	(15.1%)
Total	104.1%	147.2%	(6.2%)	130.6%	88.4%	139.5%	147.9%	108.3%
Earned Expense allowance	30.2%	31.0%	28.1%	29.2%	28.3%	31.5%	31.6%	28.1%
Change in Loss Component (excluding IFE)	(209.5%)	(35.9%)	(43.3%)	93.4%	11.7%	1.7%	6.3%	(17.1%)
Administrative Expenses	28.0%	6.3%	10.8%	24.9%	10.6%	11.8%	5.5%	15.4%
Insurance Service Ratio	-77.3%	117.6%	-38.7%	248.9%	110.7%	153.0%	159.6%	106.6%
Combined Operating Ratio	(86.6%)	117.6%	(57.6%)	246.0%	103.9%	152.2%	159.6%	88.8%

rounding differences may occur

*as posted to FA's website Jan 17, 2023

Premium

The **premium drivers** compared to prior year and The Outlook to year-end are:



The vehicle count transfer for March 2023 was 196 vehicles, which was lower than prior year by 241 vehicles, and 130 vehicles lower than The Outlook for the month.

The green bars represent our current projection for the remainder of the year.

Insurance Service Expenses

Insurance expenses for March 2023 include,

- Claims Incurred - Incurred losses in March 2023 were \$247 thousand, \$103 thousand lower than projection and \$274 thousand higher than prior year. Loss ratio was at 123.0%, 21.2 percentage points lower than projected, and down 27.7 percentage points compared with prior year.
- Losses on Onerous Contracts – This represents 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 change for the month of March 2023 is \$0.4 million favorable change.

- Reversal of Losses on Onerous Contracts – This represents changes 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.
- Administrative Expense: \$66 thousand for March 2023, slightly above projection and prior year.

For more information on the valuation impact please refer to the Actuarial Highlights.

NL RSP Summary of 2022 Q4 Valuation Implementation Impact

RSP: Newfoundland & Labrador	LIC Impact	LRC Impact	Total Impact	Impact on YTD COR
PAY	(46)	0	(46)	(6.2%)
CAY	(48)	(165)	(213)	(28.4%)
FtAY	0	(220)	(220)	(29.2%)
Total	(95)	(385)	(479)	(63.8%)

unfav/ (fav)

NL RSP Summary of 2022 Q4 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

Projection to year-end 2023

Projections to year-end 2023 have been updated using the 2022 Q4 valuation assumptions which generated an estimated favourable impact of \$0.5 million on the full year results.

Compared with The Outlook released in March 2023, written premiums have decreased by \$51 thousand to \$4.0 million. While earned premium was down by \$344 thousand to \$4.0 million.

The year-end 2023 operating deficit is expected to be \$1.4 million and the combined operating ratio is 152.2, 7.5 percentage points below The Outlook.

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

Saskia Matheson
President & CEO

Related links

[Newfoundland and Labrador RSP Summary of Operations - Calendar Year 2023](#)

*03 months ended March 2023 (discounted basis)