

**TO:** MEMBERS OF THE FACILITY ASSOCIATION

**ATTENTION:** CHIEF EXECUTIVE OFFICER

**BULLETIN NO:** F2023-034

**DATE:** April 28, 2023

**SUBJECT:** Nova Scotia Risk Sharing Pool – March 2023 Operational Report

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

Please be advised that the March 2023 Nova Scotia 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 \$46 thousand, lower than prior year by \$0.8 million. The **projected 2023 year-end received premium** is \$22.2 million;
- (b) The **March 2023 insurance revenue** was \$0.8 million, lower than prior year by \$0.9 million. The **projected 2023 year-end insurance revenue** is \$12.4 million;
- (c) The **March 2023 operating result** was a deficit of \$0.9 million, lower than prior year by \$3.5 million. The **projected 2023 year-end operating result** is a deficit of \$10.9 million;
- (d) The **March 2023 combined operating ratio** was 208.1%, higher than prior year by 257.6 percentage points. The **projected year-end combined operating ratio** is 188.4%.
- (e) The implementation of the **2022 Q4 Valuation**, generated **\$0.7 million unfavourable impact** for the month, increasing the **year-end combined operating Ratio** by 26.5 percentage points.

## Summary of Financial Results

### NS RSP Summary of IFRS17 Financial Results

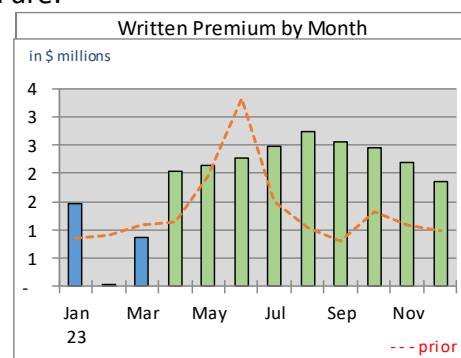
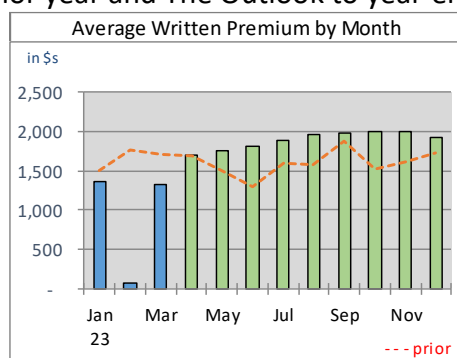
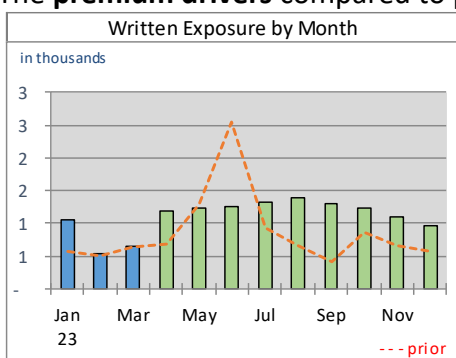
NS RSP 2023 Summary	Actual (March 2023)	Projection (March 2023)	Prior Year (March 2022)	2023 year-to-date as at 3 months	2022 year-to-date as at 3 months	2023 year-end Projection	Outlook* Full year 2023	2022 year-end Actual
Amounts in \$000s								
Written Premium	859	2,050	1,085	2,350	2,826	23,064	31,984	15,931
Received Premium	46	48	888	2,495	1,943	22,214	31,742	15,008
Earned Premium	1,197	1,276	2,554	3,646	7,829	18,498	25,799	24,076
Earned Expense Allowance	(375)	(418)	(788)	(1,116)	(2,429)	(6,139)	(8,675)	(7,363)
<b>Insurance Revenue</b>	<b>822</b>	<b>857</b>	<b>1,766</b>	<b>2,530</b>	<b>5,401</b>	<b>12,359</b>	<b>17,124</b>	<b>16,713</b>
Total Claims Incurred	1,623	1,434	981	4,337	5,620	20,739	27,487	17,067
Claims Incurred (CAY)	1,301	1,253	2,482	3,704	7,504	18,760	25,365	21,706
Adjustments to Liabilities for Incurred Claims (PAYs)	322	181	(1,501)	632	(1,884)	1,979	2,122	(4,639)
Administrative Expense	76	55	79	222	213	780	862	1,075
Losses on Onerous Contracts	661	0	9	9,234	11,507	9,234	9,569	11,921
Reversal of Losses on Onerous Contracts	(659)	(308)	(977)	(2,857)	(2,682)	(7,482)	(7,367)	(9,602)
<b>Insurance Service Expenses</b>	<b>1,702</b>	<b>1,181</b>	<b>91</b>	<b>10,935</b>	<b>14,658</b>	<b>23,271</b>	<b>30,551</b>	<b>20,461</b>
<b>Insurance Service Result</b>	<b>(880)</b>	<b>(324)</b>	<b>1,675</b>	<b>(8,406)</b>	<b>(9,257)</b>	<b>(10,912)</b>	<b>(13,427)</b>	<b>(3,748)</b>
Insurance Finance Expense from PV FCF	(119)	0	432	(119)	432	(119)	0	4,507
Insurance Finance Expense from Risk Adjustment	(11)	0	38	(11)	38	(11)	0	406
Insurance Finance Expense from Loss Component	121	0	496	121	496	121	0	3,722
<b>Insurance Finance Income (Expense)</b>	<b>(9)</b>	<b>0</b>	<b>966</b>	<b>(9)</b>	<b>966</b>	<b>(9)</b>	<b>0</b>	<b>8,636</b>
<b>Operating Result</b>	<b>(889)</b>	<b>(324)</b>	<b>2,641</b>	<b>(8,415)</b>	<b>(8,291)</b>	<b>(10,921)</b>	<b>(13,427)</b>	<b>4,888</b>
<b>Ratios:</b>								
Loss ratio - Claims Incurred (CAY)	158.2%	146.2%	140.5%	146.4%	139.0%	151.8%	148.1%	129.9%
- Adjustments to Liabilities for Incurred Claims (PAYs)	39.2%	21.1%	(85.0%)	25.0%	(34.9%)	16.0%	12.4%	(27.8%)
Total	197.5%	167.3%	55.5%	171.4%	104.1%	167.8%	160.5%	102.1%
Earned Expense allowance	31.3%	32.8%	30.8%	30.6%	31.0%	33.2%	33.6%	30.6%
Change in Loss Component (excluding IFE)	0.3%	(35.9%)	(54.8%)	252.1%	163.4%	14.2%	12.9%	13.9%
Administrative Expenses	9.3%	6.4%	4.4%	8.8%	3.9%	6.3%	5.0%	6.4%
<b>Insurance Service Ratio</b>	<b>207.1%</b>	<b>137.7%</b>	<b>5.2%</b>	<b>432.3%</b>	<b>271.4%</b>	<b>188.3%</b>	<b>178.4%</b>	<b>122.4%</b>
<b>Combined Operating Ratio</b>	<b>208.1%</b>	<b>137.7%</b>	<b>(49.5%)</b>	<b>432.7%</b>	<b>253.5%</b>	<b>188.4%</b>	<b>178.4%</b>	<b>70.8%</b>

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 652 vehicles, which in line with prior year and below our projection. The lower than expected Average Written Premium is primarily driven by one member company group removing vehicles from the pool. Premium written was also lower than prior year.

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 \$1.6 million, \$0.2 million higher than projection and \$0.6 million higher compared with the same month from last year. Loss ratio was at 158.2%, 12.0 percentage points above projected, and up 17.7 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

\$0.7 million unfavorable 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, excluding the impact of change in discount rates.
- Administrative Expense: \$76 thousand for March 2023, slightly above projection.

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

#### **NS RSP Summary of 2022 Q4 Valuation Implementation Impact**

<b>RSP: Nova Scotia</b>	<b>LIC Impact</b>	<b>LRC Impact</b>	<b>Total Impact</b>	<b>Impact on YTD COR</b>
PAY	39	0	39	1.5%
CAY	91	365	455	18.0%
FtAY	0	176	176	7.0%
<b>Total</b>	<b>130</b>	<b>541</b>	<b>670</b>	<b>26.5%</b>

*unfav/(fav)*

#### **NS RSP Summary of 2022 Q4 Change in loss Component**

	<b>2023 (CAY)</b>	<b>2024 (FtAY)</b>	<b>TOTAL</b>
<b>Opening Loss Component</b>	<b>5,068</b>	<b>8,569</b>	<b>13,637</b>
[1] Losses on onerous contracts	405	256	661
[2] Discount rate	(40)	(81)	(121)
[3] Reversal of losses on onerous contracts	(630)	(29)	(659)
<b>TOTAL [1]+[2]+[3]</b>	<b>(265)</b>	<b>147</b>	<b>(118)</b>
<b>Ending Loss Component</b>	<b>4,803</b>	<b>8,716</b>	<b>13,519</b>

*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 unfavourable impact of \$0.7 million on the full year results.

Compared with The Outlook released in March 2023, written premiums have reduced by \$8.9 million to \$23.1 million. Earned premium has also reduced by \$7.3 million to \$18.5 million.

The year-end 2023 operating deficit is expected to be \$10.9 million and the combined operating ratio is 188.4%, 10.0 percentage point above 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:**

[Nova Scotia RSP Summary of Operations - Calendar Year 2023](#)

\*03 month ended March 2023 (discounted basis)