

TO: MEMBERS OF THE FACILITY ASSOCIATION

ATTENTION: CHIEF EXECUTIVE OFFICER

BULLETIN NO: F2023–020

DATE: February 27, 2023

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

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

Please be advised that the January 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.

Please note a change in the IFRS 17 ratios shown in the bulletins this month compared to last month. ***The denominator of our ratios (loss ratios etc.) is the Insurance Revenue***, calculated as earned premium net of earned expense allowance. Last month, as well as in the 2023 RSP Outlook published to our website, the denominator of the ratios was the earned premium. The Outlook ratios shown in this bulletin have been modified to the new basis for ease of comparison.

Highlights (IFRS 17)

- (a) The ***January 2023 received premium*** was \$219 thousand, lower than prior year by \$101 thousand. The ***projected 2023 year-end received premium*** is \$4.0 million;
- (b) The ***January 2023 insurance revenue*** was \$282 thousand, lower than prior year by \$112 thousand. The ***projected 2023 year-end insurance revenue*** is \$3.0 million;
- (c) The ***January 2023 operating result*** was a deficit of \$1.6 million, in line with prior year. The ***projected 2023 year-end operating result*** is a deficit \$1.8 million;
- (d) The ***January 2023 combined operating ratio*** was 653.2%, higher than prior year by 165.5 percentage points. The ***projected year-end combined operating ratio*** is 163.9%;

Summary of Financial Results

NL RSP Summary of IFRS17 Financial Results

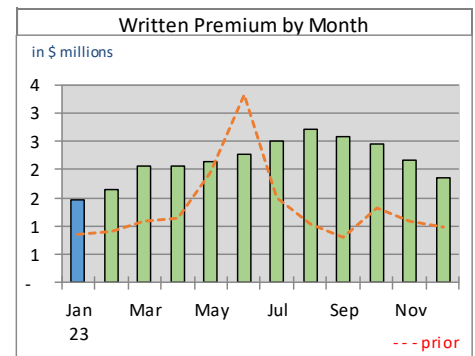
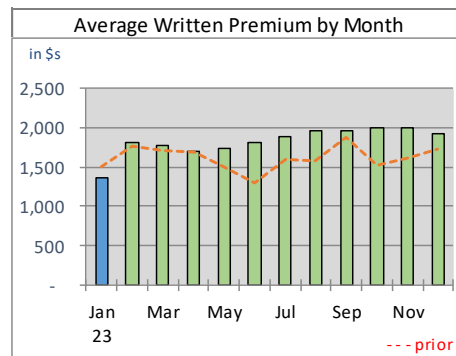
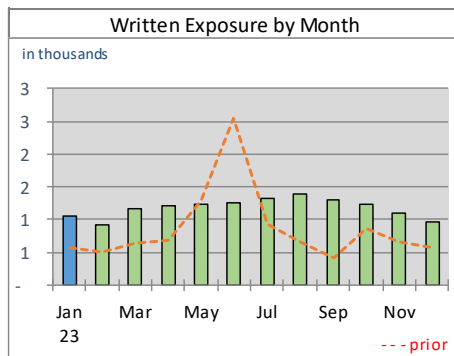
NL RSP 2023 Summary	Actual	Projection	Prior Year	2023 year-end	Outlook*	2022 year-end
Amounts in \$000s	(January 2023)	(January 2023)	(January 2022)	Projection	Full year 2023	Actual
Written Premium	147	337	427	3,720	4,090	4,755
Received Premium	219	220	320	3,950	4,149	4,847
Earned Premium	393	398	550	4,216	4,339	6,388
Earned Expense Allowance	(110)	(114)	(156)	(1,331)	(1,371)	(1,796)
Insurance Revenue	282	284	394	2,884	2,968	4,592
Total Claims Incurred	408	419	565	4,193	4,390	4,974
<i>Claims incurred (CAY)</i>	391	395	559	4,133	4,319	5,670
<i>Adjustments to Liabilities for Incurred Claims (PAYs)</i>	17	24	6	60	71	(696)
Administrative Expense	104	14	39	243	162	708
Losses on Onerous Contracts	1,399	1,194	1,746	1,399	1,347	1,552
Reversal of Losses on Onerous Contracts	(67)	(93)	(431)	(1,107)	(1,160)	(2,337)
Insurance Service Expenses	1,844	1,534	1,921	4,728	4,739	4,897
Insurance Service Result	(1,562)	(1,251)	(1,527)	(1,844)	(1,770)	(305)
Insurance Finance Expense from PV FCF	0	0	0	0	0	262
Insurance Finance Expense from Risk Adjustment	0	0	0	0	0	28
Insurance Finance Expense from Loss Component	0	0	0	0	0	531
Insurance Finance Income (Expense)	0	0	0	0	0	821
Operating Result	(1,562)	(1,251)	(1,527)	(1,844)	(1,770)	517
Ratios:						
Loss ratio - Claims Incurred (CAY)	138.4%	139.4%	142.0%	143.3%	145.5%	123.5%
- <i>Adjustments to Liabilities for Incurred Claims (PAYs)</i>	6.1%	8.5%	1.6%	2.1%	2.4%	(15.1%)
Total	144.4%	147.9%	143.6%	145.4%	147.9%	108.3%
<i>Earned Expense allowance</i>	28.1%	28.7%	28.4%	31.6%	31.6%	28.1%
<i>Change in Loss Component (excluding IFE)</i>	471.9%	388.3%	334.0%	10.1%	6.3%	(17.1%)
<i>Administrative Expenses</i>	36.8%	4.9%	10.0%	8.4%	5.5%	15.4%
Insurance Service Ratio	653.2%	541.1%	487.7%	163.9%	159.6%	106.6%
Combined Operating Ratio	653.2%	541.1%	487.7%	163.9%	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 January 2023 was 121 vehicles, which was lower than prior year by 200 vehicles, and 156 vehicles lower than The Outlook for the month.

Insurance Service Expenses

Insurance expenses for January 2023 include,

- Claims Incurred - Incurred losses in January 2023 were \$0.4 million, \$0.2 million lower than projection and in line compared with the same month from last year. Loss ratio was at 144.4%, 0.8 percentage points above projected, and down 3.5 percentage points compared with prior year.
- Losses on Onerous Contracts – The liability for remaining coverage demonstrates a sharp jump in January of each calendar year due to the initial recognition of the future accident year loss component, then gradually decreases for the remainder of the year as losses move into the liability for incurred claims. Initial recognition in January generates a large insurance service result loss in the January result.
- 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: \$0.1 million for January 2023, slightly above projection and with prior year.

Projection to year-end 2023

Compared with The Outlook released in January 2023, written premiums have reduced by \$370 thousand to \$3.7 million. Earned premium was also reduced by \$124 thousand to \$4.2 million.

The year-end 2023 operating deficit is expected to be \$1.8 million in line with The Outlook and the combined operating ratio is 163.9%, 4.3 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

[Newfoundland and Labrador RSP Summary of Operations - Calendar Year 2022](#)

*01 months ended January 2023 (discounted basis)