

TO: MEMBERS OF THE FACILITY ASSOCIATION

ATTENTION: CHIEF EXECUTIVE OFFICER

BULLETIN NO: F2023-019

DATE: February 27, 2023

SUBJECT: Nova Scotia 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 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.

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 \$1.0 million, higher than prior year by \$0.8 million. The ***projected 2023 year-end received premium*** is \$30.2 million;
- (b) The ***January 2023 insurance revenue*** was \$0.9 million, lower than prior year by \$1.0 million. The ***projected 2023 year-end insurance revenue*** is \$16.2 million;
- (c) The ***January 2023 operating result*** was a deficit \$8.0 million, higher than prior year by \$3.0 million. The ***projected 2023 year-end operating result*** is a deficit \$10.0 million;
- (d) The ***January 2023 combined operating ratio*** was 962.3%, higher than prior year by 299.5 percentage points. The ***projected year-end combined operating ratio*** is 162.0%.

Summary of Financial Results

NS RSP Summary of IFRS17 Financial Results

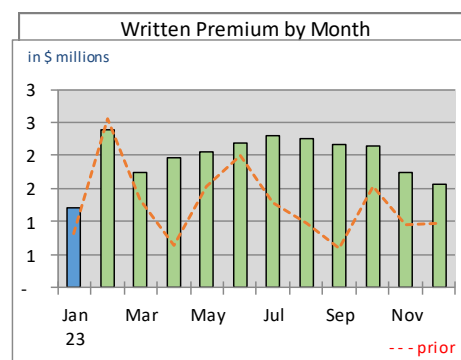
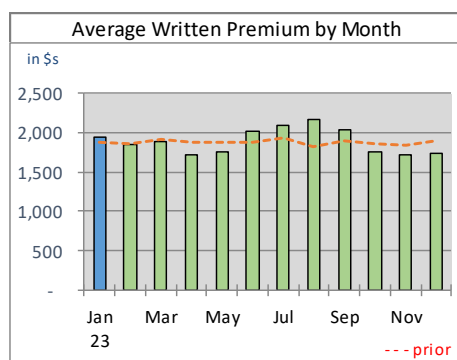
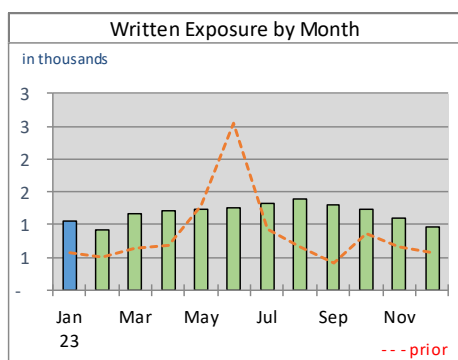
NS RSP 2023 Summary	Actual	Projection	Prior Year	2023 year-end	Outlook*	2022 year-end
Amounts in \$000s	(January 2023)	(January 2023)	(January 2022)	Projection	Full year 2023	Actual
Written Premium	1,453	2,263	846	30,333	31,984	15,931
Received Premium	983	992	214	30,209	31,742	15,008
Earned Premium	1,324	1,335	2,831	24,431	25,799	24,076
Earned Expense Allowance	(402)	(411)	(883)	(8,263)	(8,675)	(7,363)
Insurance Revenue	923	924	1,948	16,168	17,124	16,713
Total Claims Incurred	1,588	1,800	2,346	24,796	27,487	17,067
<i>Claims incurred (CAY)</i>	1,298	1,316	2,700	23,602	25,365	21,706
<i>Adjustments to Liabilities for Incurred Claims (PAYs)</i>	290	483	(354)	1,194	2,122	(4,639)
Administrative Expense	126	61	68	907	862	1,075
Losses on Onerous Contracts	8,573	9,575	11,498	8,573	9,569	11,921
Reversal of Losses on Onerous Contracts	(1,405)	(332)	(1,003)	(8,087)	(7,367)	(9,602)
Insurance Service Expenses	8,881	11,103	12,908	26,188	30,551	20,461
Insurance Service Result	(7,958)	(10,179)	(10,961)	(10,020)	(13,427)	(3,748)
Insurance Finance Expense from PV FCF	0	0	0	0	0	4,507
Insurance Finance Expense from Risk Adjustment	0	0	0	0	0	406
Insurance Finance Expense from Loss Component	0	0	0	0	0	3,722
Insurance Finance Income (Expense)	0	0	0	0	0	8,636
Operating Result	(7,958)	(10,179)	(10,961)	(10,020)	(13,427)	4,888
Ratios:						
Loss ratio - Claims Incurred (CAY)	140.6%	142.4%	138.6%	146.0%	148.1%	129.9%
- Adjustments to Liabilities for Incurred Claims (PAYs)	31.4%	52.3%	(18.2%)	7.4%	12.4%	(27.8%)
Total	172.0%	194.7%	120.4%	153.4%	160.5%	102.1%
Earned Expense allowance	30.3%	30.8%	31.2%	33.8%	33.6%	30.6%
Change in Loss Component (excluding IFE)	776.6%	999.7%	538.8%	3.0%	12.9%	13.9%
Administrative Expenses	13.7%	6.6%	3.5%	5.6%	5.0%	6.4%
Insurance Service Ratio	962.3%	1201.0%	662.8%	162.0%	178.4%	122.4%
Combined Operating Ratio	962.3%	1,201.0%	662.8%	162.0%	178.4%	70.8%

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 1,061 vehicles, which was higher than prior year and below our projection. The higher than prior year count, is primarily driven by changes in the cession strategy by one member company group.

The January 2023 average premium was above prior year. Premium written was also higher than the prior year but lower than The Outlook.

Insurance Service Expenses

Insurance expenses for January 2023 include,

- Claims Incurred - Incurred losses in January 2023 were \$1.6 million, \$0.2 million lower than projection and \$0.8 million lower compared with the same month from last year. Loss ratio was at 172.0%, 22.7 percentage points below projected, and up 51.6 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 \$1.7 million to \$30.3 million. Earned premium was also reduced by \$1.4 million to \$24.4 million.

The year-end 2023 operating deficit is expected to be \$10.0 million an increase from The Outlook and the combined operating ratio is 162.0%, 16.4 percentage point 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:

[Nova Scotia RSP Summary of Operations - Calendar Year 2022](#)

*01 month ended January 2023 (discounted basis)