

TO: MEMBERS OF THE FACILITY ASSOCIATION

ATTENTION: CHIEF EXECUTIVE OFFICER

BULLETIN NO: F2023-018

DATE: February 27, 2023

SUBJECT: New Brunswick 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 New Brunswick 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 \$0.3 million. The ***projected 2023 year-end received premium*** is \$22.5 million;
- (b) The ***January 2023 insurance revenue*** was \$0.8 million, lower than prior year by \$0.4 million. The ***projected 2023 year-end insurance revenue*** is \$11.5 million;
- (c) The ***January 2023 operating result*** was a deficit \$8.6 million, lower than prior year by \$1.2 million. The ***projected 2023 year-end operating result*** is a deficit \$9.7 million;
- (d) The ***January 2023 combined operating ratio*** was 1,129.5%, higher than prior year by 432.5 percentage points. The ***projected year-end combined operating Ratio*** is 184.3%

Summary of Financial Results

NB RSP Summary of IFRS17 Financial Results

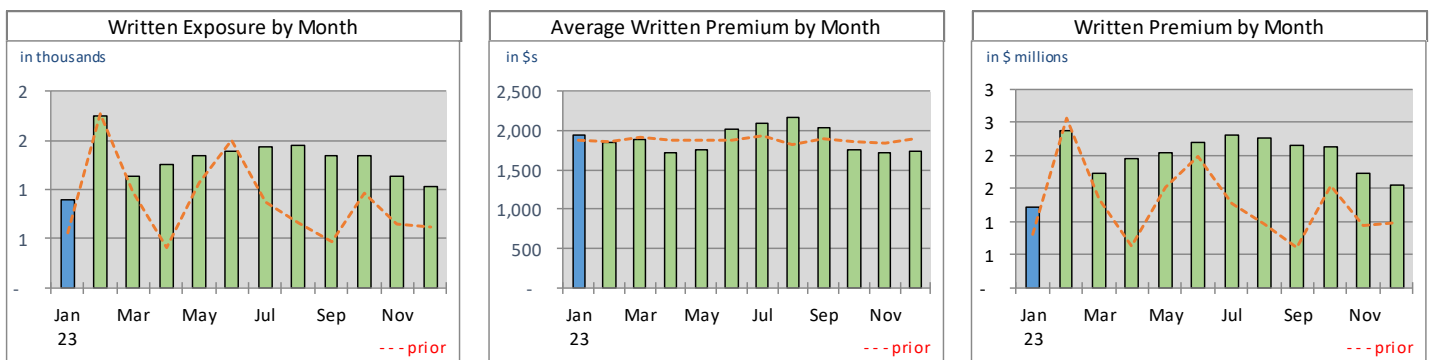
NB RSP 2023 Summary	Actual	Projection	Prior Year	2023 year-end	Outlook*	2022 year-end
Amounts in \$000s	(January 2023)	(January 2023)	(January 2022)	Projection	Full year 2023	Actual
Written Premium	1,218	1,756	815	22,544	24,058	15,188
Received Premium	966	973	731	22,522	23,559	14,746
Earned Premium	1,206	1,161	1,775	18,215	19,743	18,324
Earned Expense Allowance	(374)	(367)	(542)	(6,695)	(7,163)	(5,484)
Insurance Revenue	831	794	1,234	11,519	12,580	12,839
Total Claims Incurred	1,221	1,272	1,370	17,141	19,369	15,654
Claims incurred (CAY)	1,133	1,079	1,517	16,348	18,325	14,599
Adjustments to Liabilities for Incurred Claims (PAYs)	88	193	(147)	794	1,044	1,055
Administrative Expense	126	91	68	1,226	1,239	1,080
Losses on Onerous Contracts	8,340	7,946	7,799	8,340	9,706	8,201
Reversal of Losses on Onerous Contracts	(296)	(289)	(638)	(5,483)	(5,784)	(4,668)
Insurance Service Expenses	9,392	9,021	8,600	21,225	24,531	20,266
Insurance Service Result	(8,560)	(8,227)	(7,366)	(9,705)	(11,950)	(7,427)
Insurance Finance Expense from PV FCF	0	0	0	0	0	2,389
Insurance Finance Expense from Risk Adjustment	0	0	0	0	0	265
Insurance Finance Expense from Loss Component	0	0	0	0	0	2,448
Insurance Finance Income (Expense)	0	0	0	0	0	5,101
Operating Result	(8,560)	(8,227)	(7,366)	(9,705)	(11,950)	(2,325)
Ratios:						
Loss ratio - Claims Incurred (CAY)	136.3%	135.9%	123.0%	141.9%	145.7%	113.7%
- Adjustments to Liabilities for Incurred Claims (PAYs)	10.6%	24.3%	(11.9%)	6.9%	8.3%	8.2%
Total	146.9%	160.2%	111.0%	148.8%	154.0%	121.9%
Earned Expense allowance	31.1%	31.6%	30.5%	36.8%	36.3%	29.9%
Change in Loss Component (excluding IFE)	967.5%	964.1%	580.5%	24.8%	31.2%	27.5%
Administrative Expenses	15.2%	11.5%	5.5%	10.6%	9.8%	8.4%
Insurance Service Ratio	1129.5%	1135.7%	697.0%	184.3%	195.0%	157.8%
Combined Operating Ratio	1,129.5%	1,135.7%	697.0%	184.3%	195.0%	118.1%

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 896 vehicles, which was higher than prior year by 342 vehicles and lower than The Outlook for the month by 279 vehicles.

The premium written rose compared with the prior year driven by the higher counts and slight increase to average premium compared with prior year.

Insurance Service Expenses

Insurance expenses for January 2023 include,

- Claims Incurred - Incurred losses in January 2023 were \$1.2 million, in line with projection while \$1.2 million lower compared with the same month from last year driven by lower earned premium. Loss ratio was at 146.9%, 13.3 percentage points below projected, and up 35.9 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 above prior year.

Projection to year-end 2023

Compared with The Outlook released in January 2023, written premiums have reduced by \$1.5 million to \$22.5 million. Earned premium was also reduced by \$1.5 million to \$18.2 million.

The year-end 2023 operating deficit is expected to be \$9.7 million, a decrease from The Outlook. The combined operating ratio is 184.3%, 10.7 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:

[New Brunswick RSP Summary of Operations - Calendar Year 2022](#)

*01 month ended January 2023 (discounted basis)