

TO: MEMBERS OF THE FACILITY ASSOCIATION

ATTENTION: CHIEF EXECUTIVE OFFICER

BULLETIN NO: F2023-012

DATE: January 30, 2023

SUBJECT: Newfoundland and Labrador Risk Sharing Pool
– December 2022 Operational Report

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

Please be advised that the December 2022 Newfoundland and Labrador Risk Sharing Pool Operational Report is available on the Facility Association (FA) Portal at <https://portal.facilityassociation.com>.

This month, we have included financial results on both IFRS 4 and IFRS 17 basis to assist members with the transition to IFRS 17. Operational reports are available on both accounting bases on the FA Portal. Commentary below are on the IFRS 4 basis unless otherwise stated; in January 2023, the commentary will be presented on the IFRS 17 basis.

Highlights

- (a) The **December 2022 premium written** was \$0.2 million, lower than prior year by \$0.1 million. The **2022 year-end premium written** was \$4.8 million lower than prior year by \$2.3 million; and
- (b) The **December 2022 operating result** was a deficit of \$163 thousand and the **2022 year-end operating results** were a surplus of \$66 thousand; and
- (c) The **December 2022 combined operating ratio** was 139.3%, lower than prior year by 2.8 percentage points. The **year-end combined operating ratio** was 99.0%, lower than prior year by 92.8 percentage points and;

Highlights (IFRS 17)

- (a) The **December 2022 received premium** was \$0.3 million, lower than prior year by \$0.3 million. The **2022 year-end received premium** was \$4.8 million;
- (b) The **December 2022 insurance revenue** was \$0.3 million, lower than prior year by \$0.1 million. The **2022 year-end insurance revenue** was \$4.6 million;
- (c) The **December 2022 operating result** was a deficit of \$93 thousand, higher than prior year by \$155 thousand. The **2022 year-end operating result** was a surplus \$516 thousand;
- (d) The **December 2022 combined operating ratio** was 122.5%, lower than prior year by 23.8 percentage points. The **year-end combined operating ratio** was 91.9%;
- (e) Please note that there is a significant movement this month between the **projected** Calendar Year to Date **incurred claims** (current accident year incurred) and **adjustments to liabilities for incurred claims** (prior accident years incurred). This is caused by a change to the projections page. Previously, the “current accident year” on the projections page was defined as the year of the accounting month. Now, it is defined as the year of the +2 month projected month. This will be a one-time adjustment.

Summary of Financial Results

NL RSP Summary of IFRS4 Financial Results

NL RSP 2022 Summary	Actual	Projection	Prior Year	2022 year-end	Outlook*	2021 year-end
Amounts in \$000s	(December 2022)	(December 2022)	(December 2021)	Actual	Full year 2022	Actual
Premium Written	220	313	321	4,755	11,933	7,056
Premium Earned	416	405	536	6,388	9,418	3,562
Incurred Losses	364	357	577	4,601	9,970	3,814
<i>Prior Accident Years</i>	2	6	0	(989)	(66)	(2)
<i>Current Accident Year</i>	362	352	577	5,590	10,040	3,817
Underwriting & Admin Expense	215	152	155	1,722	3,987	3,018
Expense allowance	61	86	91	1,312	3,294	2,011
Premium Deficiency / (DPAC)	50	54	(21)	(299)	248	349
Administrative Expenses	104	12	85	709	445	658
Net Result from Operations	(163)	(104)	(196)	66	(4,539)	(3,270)
Ratios:						
Loss ratio - <i>Prior Accident Years</i>	0.5%	1.4%	0.0%	(15.5%)	(0.7%)	(0.1%)
- <i>Current Accident Year</i>	87.1%	86.9%	107.5%	87.5%	106.6%	107.1%
<i>Total</i>	87.6%	88.2%	107.5%	72.0%	105.9%	107.1%
Underwriting & Admin Expense	51.6%	37.5%	29.0%	27.0%	42.3%	84.7%
<i>Expense allowance</i>	14.6%	21.2%	17.0%	20.5%	35.0%	56.5%
<i>Premium Deficiency / (DPAC)</i>	12.0%	13.3%	(4.0%)	(4.7%)	2.6%	9.8%
<i>Administrative Expenses</i>	25.0%	3.0%	15.9%	11.1%	4.7%	18.5%
Combined Operating Ratio	139.3%	125.8%	136.5%	99.0%	148.2%	191.8%

rounding differences may occur

*as posted to FA's website Dec. 24, 2021

NL RSP Summary of IFRS17 Financial Results

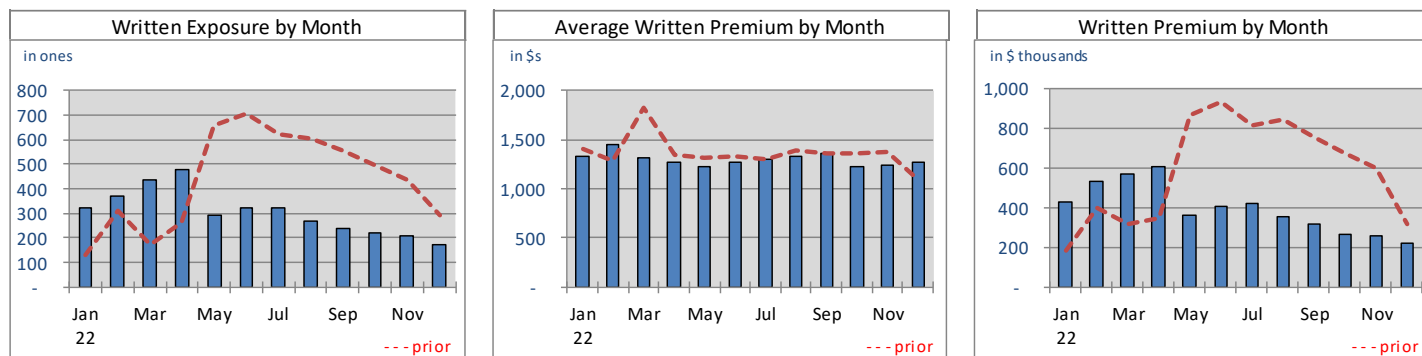
NL RSP 2022 Summary	Actual	Projection	Prior Year	2022 year-to-date	Outlook*
Amounts in \$000s	(December 2022)	(December 2022)	(December 2021)	as at 12 months	Full year 2022
Written Premium	220	313	321	4,755	
Received Premium	257	259	602	4,847	
Earned Premium	416	405	536	6,388	
Earned Expense Allowance	(117)	(114)	(153)	(1,796)	
Insurance Revenue	299	291	383	4,592	
Total Claims Incurred	358	355	541	4,974	
<i>Claims incurred (CAY)</i>	358	349	541	5,670	
<i>Adjustments to Liabilities for Incurred Claims (PAYs)</i>	0	7	0	(696)	
Administrative Expense	104	12	85	709	
Losses on Onerous Contracts	0	0	0	1,552	
Reversal of Losses on Onerous Contracts	(69)	(44)	5	(2,337)	
Insurance Service Expenses	392	323	631	4,897	
Insurance Service Result	(93)	(32)	(248)	(305)	
Insurance Finance Expense from PV FCF	0	0	0	262	
Insurance Finance Expense from Risk Adjustment	0	0	0	28	
Insurance Finance Expense from Loss Component	0	0	0	531	
Insurance Finance Income (Expense)	0	0	0	821	
Operating Result	(93)	(32)	(248)	516	
Ratios:					
Loss ratio - <i>Claims Incurred (CAY)</i>	86.0%	86.2%	100.9%	88.8%	
- <i>Adjustments to Liabilities for Incurred Claims (PAYs)</i>	0.0%	1.6%	0.0%	(10.9%)	
<i>Total</i>	86.0%	87.8%	100.9%	77.9%	
<i>Earned Expense allowance</i>	28.1%	28.0%	28.6%	28.1%	
<i>Change in Loss Component (excluding IFE)</i>	(16.7%)	(10.9%)	0.9%	(12.3%)	
<i>Administrative Expenses</i>	25.0%	3.0%	15.9%	11.1%	
Insurance Service Ratio	122.5%	107.9%	146.3%	104.8%	
Combined Operating Ratio	122.5%	107.9%	146.3%	91.9%	

rounding differences may occur

*2022 Outlook was not created on IFRS 17 basis

Premium

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



The vehicle count transfer for December 2022 was 174 vehicles, which was lower than prior year by 120 vehicles, and 593 vehicles lower than The Outlook for the month.

Incurred Losses

Incurred losses in December 2022 were \$364 thousand; and loss ratio was at 87.6%, down 0.6 percentage points from our projection and down 19.9 percentage points compared with prior year.

Underwriting and Admin Expenses

Expenses for December 2022 were \$215 thousand higher than projection and prior year.

Year-End 2022

The 2022 year-end written premium is below The Outlook by \$7.2 million prior year by \$2.3 million. Earned premium is below The Outlook by \$3.0 million while above prior year by \$2.8 million.

The year-end loss ratio of 72.0% is below prior year. The Outlook had assumed a return of the loss ratios to normalized levels hence the expected loss ratios were higher (105.9%) compared to the year-end.

The year-end expense ratio has decreased from The Outlook mainly due to a decrease Expense allowance. Expense allowance remain consistent as a percentage of premium written across prior year and The Outlook.

The year-end operating surplus was \$0.1 million compared with prior year deficit of \$3.2 million. The Outlook expected a deficit of \$4.5 million.

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](#)

*12 months ended December 2022 (discounted basis)