

TO: MEMBERS OF THE FACILITY ASSOCIATION

ATTENTION: CHIEF EXECUTIVE OFFICER

BULLETIN NO: F2023-011

DATE: January 30, 2023

SUBJECT: Nova Scotia 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 Nova Scotia 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 (IFRS 4)

- (a) The **December 2022 premium written** was \$1.0 million, higher than prior year by \$0.8 million. The **2022 year-end premium written** was \$15.9 million lower than prior year by \$14.5 million; and
- (b) The **December 2022 operating results** were a deficit of \$0.3 million. The **2022 year-end operating results** were a surplus of \$6.5 million; and
- (c) The **December 2022 combined operating ratio** was 123.8%, higher than prior year by 18.5 percentage points. The **2022 year-end combined operating ratio** was 72.9%, in line with prior year.

Highlights (IFRS 17)

- (a) The **December 2022 received premium** was \$1.1 million, higher than prior year by \$1.2 million. The **2022 year-end received premium** was \$15.0 million;
- (b) The **December 2022 insurance revenue** was \$0.9 million, lower than prior year by \$1.1 million. The **2022 year-end insurance revenue** was \$16.7 million;
- (c) The **December 2022 operating result** was a deficit \$0.1 million, higher than prior year by \$0.3 million. The **2022 year-end operating result** was a surplus \$4.9 million;
- (d) The **December 2022 combined operating ratio** was 110.8%, lower than prior year by 5.8 percentage points. The **year-end combined operating ratio** was 79.7%.
- (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

NS RSP Summary of IFRS4 Financial Results

NS 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	992	1,538	223	15,931	33,322	30,440
Premium Earned	1,312	1,277	2,947	24,076	34,102	41,021
Incurred Losses	1,056	1,140	2,443	11,972	33,089	21,760
<i>Prior Accident Years</i>	<i>(198)</i>	<i>(80)</i>	<i>16</i>	<i>(9,893)</i>	<i>(1,194)</i>	<i>(12,609)</i>
<i>Current Accident Year</i>	<i>1,254</i>	<i>1,221</i>	<i>2,427</i>	<i>21,865</i>	<i>34,273</i>	<i>34,368</i>
Underwriting & Admin Expense	569	670	660	5,589	11,771	8,254
Expense allowance	291	451	70	4,662	9,766	9,522
Premium Deficiency / (DPAC)	153	182	443	<i>(147)</i>	1,193	<i>(2,320)</i>
Administrative Expenses	126	37	147	1,075	812	1,052
Net Result from Operations	<i>(313)</i>	<i>(533)</i>	<i>(156)</i>	6,515	<i>(10,758)</i>	11,007
Ratios:						
Loss ratio - <i>Prior Accident Years</i>	<i>(15.1%)</i>	<i>(6.3%)</i>	<i>0.5%</i>	<i>(41.1%)</i>	<i>(3.5%)</i>	<i>(30.7%)</i>
- <i>Current Accident Year</i>	<i>95.6%</i>	<i>95.6%</i>	<i>82.4%</i>	<i>90.8%</i>	<i>100.5%</i>	<i>83.8%</i>
<i>Total</i>	80.4%	89.3%	82.9%	49.7%	97.0%	53.0%
Underwriting & Admin Expense	43.4%	52.4%	22.4%	23.2%	34.5%	20.1%
<i>Expense allowance</i>	<i>22.1%</i>	<i>35.3%</i>	<i>2.4%</i>	<i>19.4%</i>	<i>28.6%</i>	<i>23.2%</i>
<i>Premium Deficiency / (DPAC)</i>	<i>11.6%</i>	<i>14.2%</i>	<i>15.0%</i>	<i>(0.6%)</i>	<i>3.5%</i>	<i>(5.7%)</i>
<i>Administrative Expenses</i>	<i>9.6%</i>	<i>2.9%</i>	<i>5.0%</i>	<i>4.5%</i>	<i>2.4%</i>	<i>2.6%</i>
Combined Operating Ratio	123.8%	141.7%	105.3%	72.9%	131.5%	73.2%

rounding differences may occur

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

NS RSP Summary of IFRS17 Financial Results

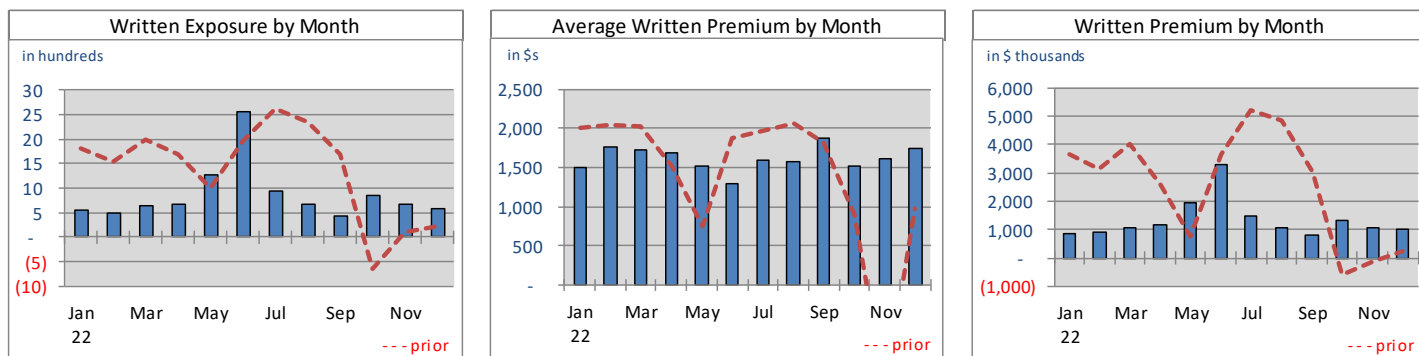
NS RSP 2022 Summary	Actual	Projection	Prior Year	2022 year-to-date	Outlook*
Amounts in \$000s	(December 2022)	(December 2022)	(December 2021)	as at 12 months	Full year 2022
Written Premium	992	1,538	223	15,931	
Received Premium	1,078	1,079	<i>(147)</i>	15,008	
Earned Premium	1,312	1,277	2,947	24,076	
Earned Expense Allowance	<i>(401)</i>	<i>(391)</i>	<i>(930)</i>	<i>(7,363)</i>	
Insurance Revenue	911	887	2,017	16,713	
Total Claims Incurred	1,176	1,320	2,288	17,067	
<i>Claims incurred (CAY)</i>	<i>1,147</i>	<i>1,123</i>	<i>2,311</i>	<i>21,706</i>	
<i>Adjustments to Liabilities for Incurred Claims (PAYs)</i>	<i>29</i>	<i>197</i>	<i>(23)</i>	<i>(4,639)</i>	
Administrative Expense	126	37	147	1,075	
Losses on Onerous Contracts	0	0	0	11,921	
Reversal of Losses on Onerous Contracts	<i>(250)</i>	<i>(166)</i>	<i>71</i>	<i>(9,602)</i>	
Insurance Service Expenses	1,053	1,192	2,506	20,461	
Insurance Service Result	<i>(141)</i>	<i>(305)</i>	<i>(489)</i>	<i>(3,748)</i>	
Insurance Finance Expense from PV FCF	0	0	0	4,507	
Insurance Finance Expense from Risk Adjustment	0	0	0	406	
Insurance Finance Expense from Loss Component	0	0	0	3,722	
Insurance Finance Income (Expense)	0	0	0	8,636	
Operating Result	<i>(141)</i>	<i>(305)</i>	<i>(489)</i>	4,888	
Ratios:					
Loss ratio - <i>Claims Incurred (CAY)</i>	<i>87.4%</i>	<i>88.0%</i>	<i>78.4%</i>	<i>90.2%</i>	
- <i>Adjustments to Liabilities for Incurred Claims (PAYs)</i>	<i>2.2%</i>	<i>15.4%</i>	<i>(0.8%)</i>	<i>(19.3%)</i>	
<i>Total</i>	89.6%	103.4%	77.6%	70.9%	
<i>Earned Expense allowance</i>	<i>30.6%</i>	<i>30.6%</i>	<i>31.5%</i>	<i>30.6%</i>	
<i>Change in Loss Component (excluding IFE)</i>	<i>(19.0%)</i>	<i>(13.0%)</i>	<i>2.4%</i>	<i>9.6%</i>	
<i>Administrative Expenses</i>	<i>9.6%</i>	<i>2.9%</i>	<i>5.0%</i>	<i>4.5%</i>	
Insurance Service Ratio	110.8%	123.9%	116.6%	115.6%	
Combined Operating Ratio	110.8%	123.9%	116.6%	79.7%	

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 571 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 December 2022 average premium was above prior year. Premium written was also higher the prior year but lower than The Outlook.

Incurred Losses

Incurred losses in December 2022 were \$1.1 million, and loss ratio was at 80.4%, down 8.9 percentage points compared with the projection and down 2.5 percentage points compared with prior year.

Underwriting and Admin Expenses

Expenses for December 2022 include,

- Expense Allowance: \$0.3 million for December 2022 compared to projection at \$0.5 million and prior year at \$70 thousand. The allowance is approximately 29% of written premium. Changes from projection and prior year are consistent with changes in written premium.
- Change in Premium Deficiency / (DPAC): Premium deficiency of \$153 thousand compared to projected premium deficiency of \$182 thousand and prior year premium deficiency of \$443 thousand.
- Administrative Expenses were in line with projection and prior year.

Year-End 2022

The 2022 year-end written premium is below The Outlook by \$17.4 million prior year by \$14.5 million. Earned premium is below The Outlook by \$10.0 million prior year by \$16.9 million.

The year-end loss ratio of 49.7% is below prior year. The Outlook had assumed a return of the loss ratios to normalized levels hence the expected loss ratios were higher (97.0%) compared to the year-end. The actual year-end loss ratio includes the favourable impact of rising yields on discounting during the past year, which offset the increased nominal loss experience.

The year-end expense ratio has decreased from The Outlook mainly due to a decrease in Premium Deficiency reserve as well as lower than expected Expense allowance. Expense allowance remain consistent as a percentage of premium written across prior year and The Outlook.

The year-end operating surplus was \$6.5 million compared with prior year surplus of \$11.0 million. The Outlook expected a deficit of \$10.8 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:

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

*12 month ended December 2022 (discounted basis)