

TO: MEMBERS OF THE FACILITY ASSOCIATION

ATTENTION: CHIEF EXECUTIVE OFFICER

BULLETIN NO: F2023-010

DATE: January 30, 2023

SUBJECT: New Brunswick 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 New Brunswick 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 \$0.2 million. The **2022 year-end premium written** was \$15.2 million, lower than prior year by \$5.3 million; and
- (b) The **December 2022 operating results** were a *deficit* of \$0.2 million, and the **2022 year-end operating result** a *deficit* of \$1.0 million; and
- (c) The **December 2022 combined operating ratio** was 120.1%, higher than prior year by 7.9 percentage points. The **2022 year-end combined operating ratio** was 105.3%, above prior years by 6.3 percentage points.

Highlights (IFRS 17)

- (a) The **December 2022 received premium** was \$1.0 million, lower than prior year by \$0.2 million. The **2022 year-end received premium** was \$14.7 million;
- (b) The **December 2022 insurance revenue** was \$0.9 million, lower than prior year by \$0.4 million. The **2022 year-end insurance revenue** was \$12.8 million;
- (c) The **December 2022 operating result** was a surplus \$44 thousand, higher than prior year by \$45 thousand. The **2022 year-end operating result** was a deficit \$2.3 million;
- (d) The **December 2022 combined operating ratio** was 96.4%, lower than prior year by 3.6 percentage points. The **year-end combined operating Ratio** was 112.7%
- (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

NB RSP Summary of IFRS4 Financial Results

NB RSP 2022 Summary Amounts in \$000s	Actual (December 2022)	Projection (December 2022)	Prior Year (December 2021)	2022 year-end Actual	Outlook* Full year 2022	2021 year-end Actual
Premium Written	977	1,439	737	15,188	30,074	20,436
Premium Earned	1,223	1,179	1,817	18,324	26,023	20,408
Incurred Losses	838	862	1,249	13,102	22,620	12,225
<i>Prior Accident Years</i>	(93)	(38)	(16)	(1,441)	(546)	(2,277)
<i>Current Accident Year</i>	931	900	1,266	14,543	23,160	14,502
Underwriting & Admin Expense	631	713	789	6,195	11,672	7,985
Expense allowance	285	420	225	4,428	8,783	6,256
Premium Deficiency / (DPAC)	220	220	416	688	1,365	673
Administrative Expenses	126	73	147	1,080	1,524	1,056
Net Result from Operations	(246)	(396)	(221)	(974)	(8,269)	198
Ratios:						
Loss ratio - <i>Prior Accident Years</i>	(7.6%)	(3.2%)	(0.9%)	(7.9%)	(2.1%)	(11.2%)
- <i>Current Accident Year</i>	76.1%	76.3%	69.7%	79.4%	89.0%	71.1%
<i>Total</i>	68.5%	73.1%	68.8%	71.5%	86.9%	59.9%
Underwriting & Admin Expense	51.6%	60.5%	43.4%	33.8%	44.9%	39.1%
<i>Expense allowance</i>	23.3%	35.6%	12.4%	24.2%	33.8%	30.7%
<i>Premium Deficiency / (DPAC)</i>	18.0%	18.7%	22.9%	3.8%	5.2%	3.3%
<i>Administrative Expenses</i>	10.3%	6.2%	8.1%	5.9%	5.9%	5.2%
Combined Operating Ratio	120.1%	133.6%	112.2%	105.3%	131.8%	99.0%

rounding differences may occur

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

NB RSP Summary of IFRS17 Financial Results

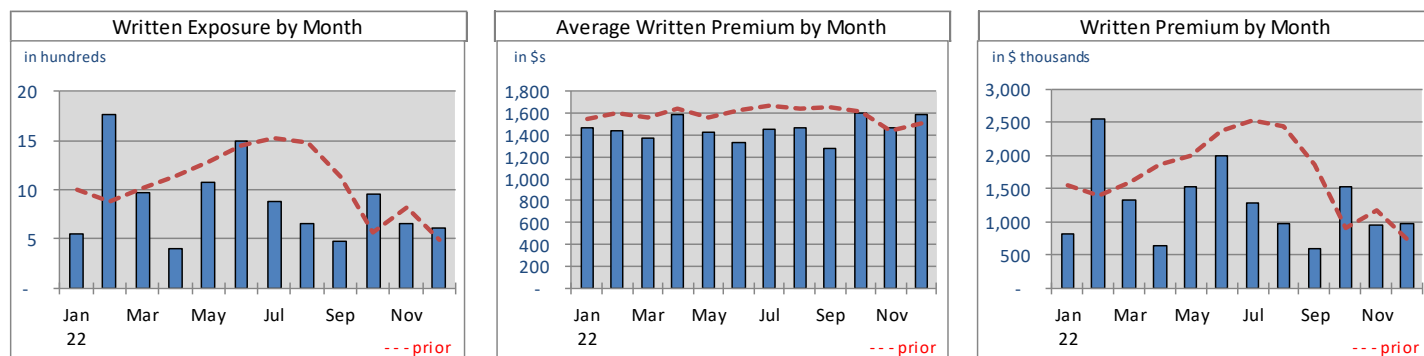
NB RSP 2022 Summary Amounts in \$000s	Actual (December 2022)	Projection (December 2022)	Prior Year (December 2021)	2022 year-to-date as at 12 months	Outlook* Full year 2022
Written Premium	977	1,439	737	15,188	
Received Premium	952	953	1,170	14,746	
Earned Premium	1,223	1,179	1,817	18,324	
Earned Expense Allowance	(366)	(353)	(553)	(5,484)	
Insurance Revenue	858	826	1,264	12,839	
Total Claims Incurred	949	997	1,199	15,654	
<i>Claims incurred (CAY)</i>	922	906	1,223	14,599	
<i>Adjustments to Liabilities for Incurred Claims (PAYs)</i>	27	92	(24)	1,055	
Administrative Expense	126	73	147	1,080	
Losses on Onerous Contracts	0	0	0	8,201	
Reversal of Losses on Onerous Contracts	(262)	(68)	(81)	(4,668)	
Insurance Service Expenses	814	1,003	1,265	20,266	
Insurance Service Result	44	(176)	(1)	(7,427)	
Insurance Finance Expense from PV FCF	0	0	0	2,389	
Insurance Finance Expense from Risk Adjustment	0	0	0	265	
Insurance Finance Expense from Loss Component	0	0	0	2,448	
Insurance Finance Income (Expense)	0	0	0	5,101	
Operating Result	44	(176)	(1)	(2,326)	
Ratios:					
Loss ratio - <i>Claims Incurred (CAY)</i>	75.4%	76.8%	67.3%	79.7%	
- <i>Adjustments to Liabilities for Incurred Claims (PAYs)</i>	2.2%	7.8%	(1.3%)	5.8%	
<i>Total</i>	77.6%	84.6%	66.0%	85.4%	
<i>Earned Expense allowance</i>	29.9%	29.9%	30.4%	29.9%	
<i>Change in Loss Component (excluding IFE)</i>	(21.4%)	(5.7%)	(4.5%)	19.3%	
<i>Administrative Expenses</i>	10.3%	6.2%	8.1%	5.9%	
Insurance Service Ratio	96.4%	114.9%	100.1%	140.5%	
Combined Operating Ratio	96.4%	114.9%	100.1%	112.7%	

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 616 vehicles, which was higher than prior year by 126 vehicles and lower than The Outlook for the month by 285 vehicles.

With an increase of 32.6%, the premium written rose compared with the prior year and average premium showed an increase of 5.5% compared with prior year.

Incurred Losses

Incurred losses in December 2022 were \$0.9 million, in line with projection and \$0.3 million lower compared with the same month from last year; and loss ratio was at 68.5%, down 4.6 percentage points compared with our projection and 0.3 percentage points compared with prior year.

Underwriting and Admin Expenses

Expenses for December 2022 include,

- Expense Allowance– this is based on written premium. The allowance ratio is approximately 29% of written premium and fairly consistent across actual and The Outlook for both current month and year-end.
- Change in Premium Deficiency / (DPAC): Premium deficiency of \$220 thousand for December 2022 in line compared to projected premium deficiency and lower than prior year premium deficiency of \$416 thousand.
- Administrative Expenses are consistent with projection and prior year.

Year-End 2022

The 2022 year-end written premium is below The Outlook by \$14.9 million prior year by \$5.2 million. Earned premium is below The Outlook by \$7.7 million prior year by \$2.1 million.

The year-end loss ratio of 71.5% is above prior year as the impact of the pandemic decreases. The Outlook had assumed a return of the loss ratios to normalized levels hence the expected loss ratios were higher (86.9%) 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 deficit was \$1.0 million compared with prior year surplus of \$0.2 million. The Outlook expected a deficit of \$8.3 million. Again, this is largely driven by favourable impact of discounting which was not included in the Outlook forecast.

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](#)

*12 month ended December 2022 (discounted basis)