

Facility Association Members Call

IFRS 17 Reporting Update

October 17th, 2023



Introduction and Agenda

- Introduction and Agenda
- Overview of Available Reports
- Comparison of IFRS 4 and IFRS 17 2023 YTD results and balance sheets
- Discount Unwinding under IFRS 17
- FA Reporting Road Map
- Impact of RSP Q2 valuation
 - Valuation key observations and assumption changes
 - Financial impact of valuation
 - Detailed look at Loss Component impact
- Questions and Feedback

Overview of Member Reports & IFRS 17 – 4 Comparisons

Overview of Available Reports

- FA provides multiple reports and data sources for members to use to understand their participation and financial obligations for RSP and FARM:

- Monthly Operational Report
- Monthly Government Line Report

- Available through the “FA Portal” (requires login)
- Reports present information at the “member level” i.e. your company’s share of the results
- Available on IFRS 4 and IFRS 17 basis

- Monthly Member Bulletin
- Quarterly Financial Insights (formerly Actuarial Highlights)
- Annual Outlook
- Annual Audited Financial Statements

- Available publicly on our website, under “members”
- Reports present total results of the FARM/RSPs

- These reports contain links to data files with valuable information such as:
- The projected monthly financials for the rest of the year
 - Detailed actuarial valuation results
 - Detailed calculations of the LRC including future month projections

RSP - IFRS 4 to IFRS 17 Financial Results Bridging (Aug. 31, 2023)

Breakdown of Liabilities

	IFRS 4	IFRS 17	Change
[1] Nominal Case Reserves + IBNR	1,802,593,368	1,802,593,368	0
[2] Discounting	(170,996,064)	(230,403,023)	(59,406,959)
[3] PfAD	214,518,078		(214,518,078)
[4] Risk Adjustment		125,681,906	125,681,906
Margin %	13.1%	8.0%	(5.2%)
Total	1,846,115,382	1,697,872,251	(148,243,131)
	[1]+[2]+[3]	[1]+[2]+[4]	

	IFRS 4	IFRS 17
[1] Unearned Premium	537,281,678	
[2] Prem Def. /(DPAC)	109,612,000	
[1]+[2] Premium Liabilities	646,893,678	
[3] Unearned Premium Received		425,933,203
[4] Premium Receivable		111,348,475
[5] Unearned Expense Allowance		136,104,641
[3]-[5] PAA LRC		289,828,562
[6] Loss Component		590,921,468
LRC (incl. Loss Component)		880,750,030

Note: [3]+[4]=[1]

Summary of Liabilities

	IFRS 4	IFRS 17	Change
Claim Liabilities	1,846,115,382		
Premium Liabilities	646,893,678		
LIC		1,697,872,251	
LRC		880,750,030	
Total	2,493,009,060	2,578,622,281	85,613,221

- Total insurance liabilities increased by approximately \$85.6 million (3.4%).
- The IFRS 17 discounting (based on risk free rates + an illiquidity premium) is greater than current IFRS 4 discounting (based on risk free rates only).
- The IFRS 17 risk adjustment is a smaller margin than the IFRS 4 PfADs. The margin goes from 13.1% to 8.0% of discounted unpaid claims.
- Note: in January of each year, there will be a sharp jump in LRC as we are recognizing the future losses from the entire future accident year in our loss component at initial recognition.

RSP - Comparison of IFRS 4 and IFRS 17 YTD operating results

RSP 2023 Summary	2023 year-to-date as at 8 months
Amounts in \$000s	
Written Premium	698,445
Received Premium	658,693
Earned Premium	694,114
Earned Expense Allowance	(216,251)
Insurance Revenue	477,863
Total Claims Incurred	762,558
<i>Claims incurred (CAY)</i>	757,064
<i>Adjustments to Liabilities for Incurred Claims (PAYs)</i>	5,494
Administrative Expense	5,161
Losses on Onerous Contracts	498,341
Reversal of Losses on Onerous Contracts	(230,170)
Insurance Service Expenses	1,035,890
Insurance Service Result	(558,027)
Insurance Finance Expense from PV FCF	(54,202)
Insurance Finance Expense from Risk Adjustment	(4,471)
Insurance Finance Expense from Loss Component	(7,362)
Insurance Finance Income (Expense)	(66,035)
Operating Result	(624,061)
Ratios:	
Loss ratio - <i>Claims Incurred (CAY)</i>	158.4%
- <i>Adjustments to Liabilities for Incurred Claims (PAYs)</i>	1.1%
<i>Total</i>	159.6%
<i>Earned Expense allowance</i>	31.2%
<i>Change in Loss Component (excluding IFE)</i>	56.1%
<i>Administrative Expenses</i>	1.1%
Insurance Service Ratio	216.8%
Combined Operating Ratio	230.6%

Difference in Incurred Claims due to higher discount rate & lower margin in IFRS 17 vs. IFRS 4 as well as inclusion of discount unwinding within Incurred Losses in IFRS 4, but explicitly separated in IFRS 17.

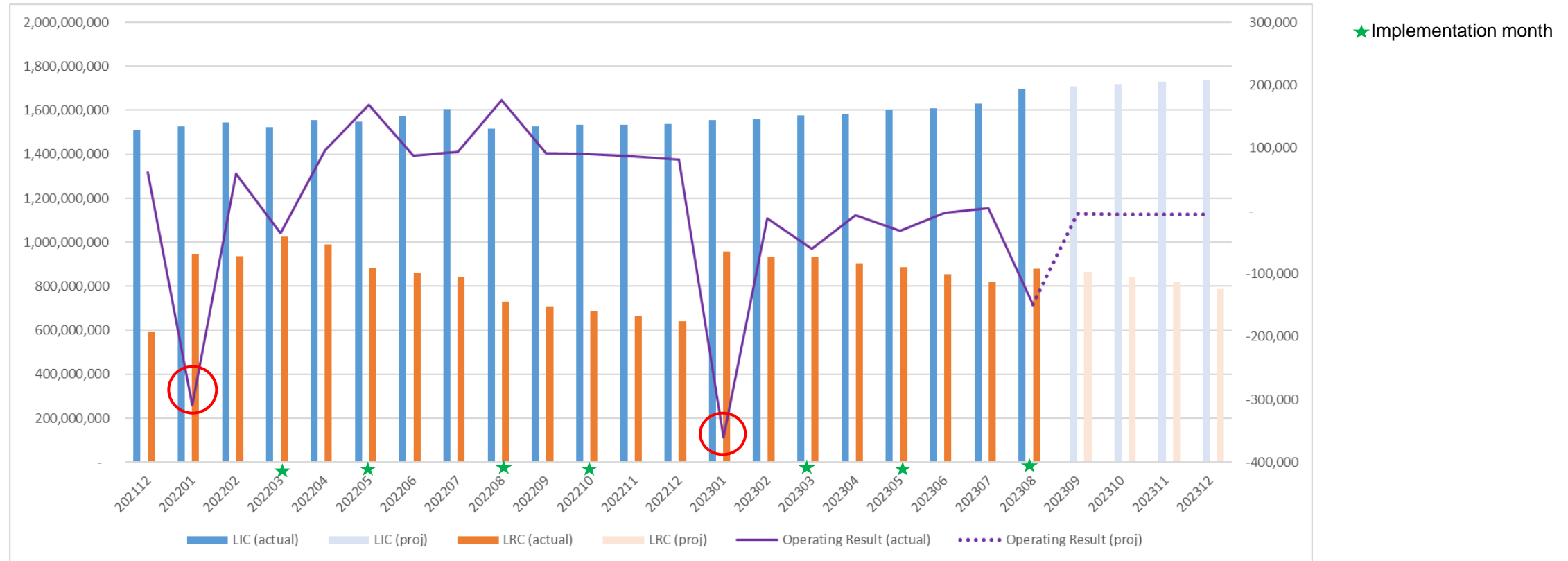
YTD change in Loss Component exceeds YTD change in Premium Deficiency under IFRS 4. This is because the IFRS 17 Loss Component's exposure basis includes the entire expected Accident Year 2024 RSP contract, whereas the IFRS 4 premium deficiency's exposure basis includes only the current unearned premium.

Difference in YTD operating result is mainly due to the difference between YTD change in Loss Component vs. YTD change in Premium Liabilities.

RSP 2023 Summary	2023 year-to-date as at 8 months
Amounts in \$000s	
Premium Written	698,445
Premium Earned	694,114
Incurred Losses	820,933
<i>Prior Accident Years</i>	8,128
<i>Current Accident Year</i>	812,805
Underwriting & Admin Expense	311,755
Expense allowance	235,760
Premium Deficiency / (DPAC)	70,834
Administrative Expenses	5,161
Net Result from Operations	(438,574)
Ratios:	
Loss ratio - <i>Prior Accident Years</i>	1.2%
- <i>Current Accident Year</i>	117.1%
<i>Total</i>	118.3%
Underwriting & Admin Expense	44.9%
<i>Expense allowance</i>	34.0%
<i>Premium Deficiency / (DPAC)</i>	10.2%
<i>Administrative Expenses</i>	0.7%
Combined Operating Ratio	163.2%

Note that denominator of IFRS 17 COR is the Insurance Revenue (net of expense allowance), whereas denominator of IFRS4 COR is Earned Premium (gross of expense allowance)

RSP - Actual & Projection of IFRS 17 Results for the Total RSPs (by calendar month)



- LIC (blue bars) steadily grow due to loss ratio trend and premium growth projected for the pools
- LRC (orange bars) jumps up every January (due to initial recognition of the future AY loss component), but decreases for the rest of the year as premium earns and loss component for CAY is reversed out as losses emerge in the incurred claims.
- Initial recognition of FtAY loss component in January result generates a significant operating loss in the January result
- Following the initial recognition of the loss component, we project essentially flat (close to \$0) of operating result for the rest of the months in the year. That is, we are taking the expected loss for the coming year upfront in January each year.

FARM - IFRS 4 to IFRS 17 Financial Results Bridging (Jul. 31, 2023)

Breakdown of Liabilities

	IFRS 4	IFRS 17	Change
Nominal Case Reserves + IBNR	630,312,518	630,312,518	0
Discounting	(49,217,462)	(71,234,717)	(22,017,255)
PfAD	70,063,941		(70,063,941)
Risk Adjustment		52,686,159	52,686,159
Margin %	12.1%	9.4%	(2.6%)
[1] Indemnity Provision	651,158,997	611,763,959	(39,395,038)
Nominal Unpaid Allowed Claims Expense	50,977,475	50,977,475	0
Discounting	(6,238,435)	(9,281,104)	(3,042,669)
PfAD	5,669,339		(5,669,339)
Risk Adjustment		4,046,859	4,046,859
Margin %	12.7%	9.7%	(3.0%)
[2] Allowed Claims Expense Provision	50,408,379	45,743,230	(4,665,149)
Nominal Unpaid Claims Fee	(1,532,578)	(1,532,578)	0
Discounting	(22,000)	(787,032)	(765,032)
PfAD	5,864,280		(5,864,280)
Risk Adjustment		4,641,224	4,641,224
[3] Unpaid Claims Fee Provision	4,309,702	2,321,614	(1,988,088)
[1]+[2]+[3] Total	705,877,078	659,828,803	(46,048,275)

	IFRS 4	IFRS 17
[1] Unearned Premium	259,377,413	
[2] Prem Def. /(DPAC)	(19,547,000)	
[1]+[2] Premium Liabilities	239,830,413	
[3] Unearned Premium Received		232,866,515
[4] Premium Receivable		26,494,014
[5] Unamortized IACFs		20,554,630
[3]-[5] PAA LRC		212,311,885
[6] Loss Component		-
LRC (incl. Loss Component)		212,311,885

Note: [3]+[4]=[1]

Summary of Liabilities

	IFRS 4	IFRS 17	Change
Claim Liabilities	705,877,078		
Premium Liabilities	239,830,413		
LIC		659,828,803	
LRC		212,311,885	
Total	945,707,491	872,140,688	(73,566,803)

- Total insurance liabilities reduced by approximately \$73.6 million (6.5%).
- The IFRS 17 discounting (based on risk free rates + an illiquidity premium) is greater than current IFRS 4 discounting (based on risk free rates only).
- The IFRS 17 risk adjustment is a smaller margin than the IFRS 4 PfADs.
- Based on current indications, none of our FARM segments are expected to be onerous in 2023. We will continue to monitor these indications on an ongoing basis to determine if any segments become onerous and require loss component.
- The IFRS 17 LRC is smaller than the IFRS 4 premium liabilities. This is because, instead of being based primarily on unearned written premium, it is based on unearned received premium. Many FARM customers in Ontario and Newfoundland pay their premium in monthly installments, which results in a received premium lower than written premium for a given active policy. This reduces the LRC.

FARM - Comparison of IFRS 4 and IFRS 17 YTD operating results

FARM 2023 Summary	2023 year-to-date as at 7 months
Amounts in \$000s	
Written Premium	313,220
Received Premium	312,819
Earned Premium	289,949
Insurance Revenue	289,949
Total Claims Incurred	192,803
<i>Claims incurred (CAY)</i>	199,130
<i>Adjustments to Liabilities for Incurred Claims (PAYs)</i>	(6,326)
Administrative Expense	37,589
Amortization of IACFs	24,748
Change in Loss Component	0
Insurance Service Expenses	255,140
Insurance Service Result	34,809
<i>Insurance Finance Expense from PV FCF</i>	(24,313)
<i>Insurance Finance Expense from Risk Adjustment</i>	(2,391)
<i>Insurance Finance Expense from Loss Component</i>	0
Insurance Finance Income (Expense)	(26,704)
Investment Income	7,118
Operating Result	15,222
Ratios:	
Loss ratios (% insurance revenue):	66.5%
<i>Claims incurred (CAY)</i>	68.7%
<i>Adjustments to Liabilities for Incurred Claims (PAYs)</i>	(2.2%)
Underwriting and Admin Expenses (% insurance revenue):	21.5%
<i>Administrative Expenses</i>	13.0%
<i>Amortization of IACFs</i>	8.5%
<i>Change in Loss Component</i>	0.0%
Insurance Service Ratio:	88.0%
Insurance Finance Income:	9.2%
Investment Income Ratio:	(2.5%)
Combined Operating Ratio	94.7%

Difference in Incurred Claims due to higher discount rate & lower margin in IFRS 17 vs. IFRS 4 as well as inclusion of discount unwinding within Incurred Losses in IFRS 4, but explicitly separated in IFRS 17.

Amortization of IACFs is approximately equal to the incurred acquisition costs (Commissions and DRA) net of DPAC.

Difference in YTD operating result is much smaller in FARM than it is in RSP and is mainly due to small differences in discounting and risk margins. The difference is bigger in RSP because of the recognition of the future accident year loss component for the RSP that arises from RSP's classification as single reinsurance contracts.

Total FARM 2023 Summary	2023 year-to-date as at 7 months
Amounts in \$000s	
Premium Written	313,220
Premium Earned	289,949
Incurred Losses	226,242
<i>Prior Accident Years</i>	12,642
<i>Current Accident Year</i>	213,600
Underwriting & Admin Expense	62,691
Administrative Expense	37,589
Commission and DRAs	26,683
Premium Deficiency / (DPAC)	(1,581)
Investment Income	7,118
Net Result from Operations	8,134
Ratios:	
Loss ratio	
- <i>Prior Accident Years</i>	4.4%
- <i>Current Accident Year</i>	73.7%
<i>Total</i>	78.0%
Underwriting & Admin Expense	21.6%
<i>Administrative Expense</i>	13.0%
<i>Commission and DRAs</i>	9.2%
<i>Premium Deficiency / (DPAC)</i>	(0.5%)
Combined Operating Ratio	97.2%

Discount Unwinding

Discount Unwinding under IFRS 17

- Insurance Finance Income/ (Expense) is comprised of:
 - The effect due to changes in discounting assumptions. This change is only reflected in implementation months (March, May, August, and October), when the yield curve is updated.
 - The release of the effect of discounting due to the passage of time (also known as discount unwinding)
- Prior to accounting month June-2023, FA had been reporting the unwinding of discount on our liabilities within Insurance Service Expenses. Beginning accounting month June-2023, we have re-classified the 2023 year to date discount unwinding as Insurance Finance Income / (Expense).
- **The total year to date income is unaffected.**
- Since accounting month June-2023, each month's insurance finance income (expense) will include the amount of discount unwinding for that month only.
- For members who wish to adjust the bookings either for the current year or for prior years, a link is provided in the June Bulletins to the estimated amounts of discount unwinding for each jurisdiction/segment, for each Accident Year, for all past Accounting Month from November 2021 to May 2023.

RSP - Discount Unwinding Year to Date Adjustment

Total RSP 2023 Summary	Actual
Amounts in \$000s	(June 2023)
Written Premium	92,175
Received Premium	85,521
Earned Premium	85,382
Earned Expense Allowance	(27,011)
Insurance Revenue	58,371
Total Claims Incurred	37,396
<i>Claims incurred (CAY)</i>	87,266
<i>Adjustments to Liabilities for Incurred Claims (PAYs)</i>	(49,870)
Administrative Expense	727
Losses on Onerous Contracts	(5,040)
Reversal of Losses on Onerous Contracts	(42,337)
Insurance Service Expenses	(9,254)
Insurance Service Result	67,625
Insurance Finance Expense from PV FCF	(49,950)
Insurance Finance Expense from Risk Adjustment	(4,178)
Insurance Finance Expense from Loss Component	(17,302)
Insurance Finance Income (Expense)	(71,430)
Operating Result	(3,805)
Ratios:	
Loss ratio - <i>Claims Incurred (CAY)</i>	149.5%
- <i>Adjustments to Liabilities for Incurred Claims (PAYs)</i>	(85.4%)
<i>Total</i>	64.1%
<i>Earned Expense allowance</i>	31.6%
<i>Change in Loss Component (excluding IFE)</i>	(81.2%)
<i>Administrative Expenses</i>	1.2%
Insurance Service Ratio	-15.9%
Combined Operating Ratio	106.5%

June 2023 Discount Unwinding Year to Date Adjustment:

- Jan-2023 to May-2023 unwind = \$61.7 million
- Jun-2023 unwind = \$9.6 million
- **Total IFIE booked in Jun-2023 (expense) = \$71.4 million**

Insurance Service result **increased** by \$71.4 million

Insurance Finance Result **decreased** by \$71.4 million

The total year to date operating income is **unaffected**

FARM - Discount Unwinding Year to Date Adjustment

Total FARM 2023 Summary Amounts in \$000s	Actual (June 2023)
Written Premium	52,681
Received Premium	52,160
Earned Premium	42,222
Insurance Revenue	42,222
Total Claims Incurred	11,454
<i>Claims incurred (CAY)</i>	28,437
<i>Adjustments to Liabilities for Incurred Claims (PAYs)</i>	(16,982)
Administrative Expense	6,298
Amortization of IACFs	3,599
Change in Loss Component	0
Insurance Service Expenses	21,352
Insurance Service Result	20,870
<i>Insurance Finance Expense from PV FCF</i>	(17,162)
<i>Insurance Finance Expense from Risk Adjustment</i>	(1,718)
<i>Insurance Finance Expense from Loss Component</i>	0
Insurance Finance Income (Expense)	(18,880)
Investment Income	1,064
Operating Result	3,054
Ratios:	
Loss ratios (% insurance revenue):	27.1%
<i>Claims incurred (CAY)</i>	67.4%
<i>Adjustments to Liabilities for Incurred Claims (PAYs)</i>	(40.2%)
Underwriting and Admin Expenses (% insurance revenue):	23.4%
<i>Administrative Expenses</i>	14.9%
<i>Amortization of IACFs</i>	8.5%
<i>Change in Loss Component</i>	0.0%
Insurance Service Ratio:	50.6%
Insurance Finance Income:	44.7%
Investment Income Ratio:	(2.5%)
Combined Operating Ratio	92.8%

June 2023 Discount Unwinding Year to Date Adjustment:

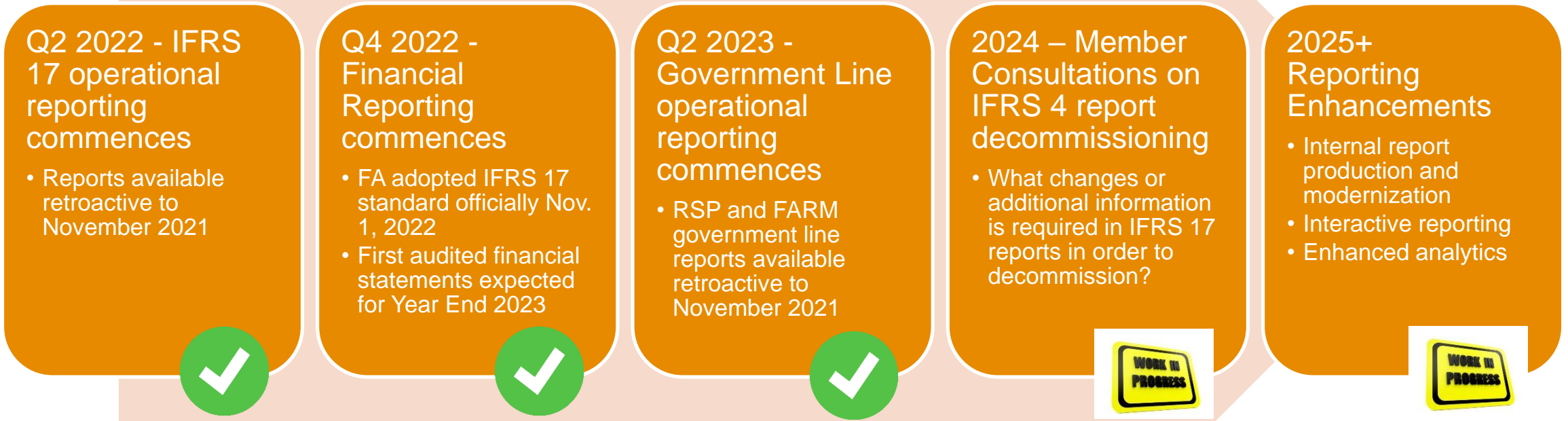
- Jan-2023 to May-2023 unwind = \$16.1 million
- Jun-2023 unwind = \$2.8 million
- Total IFIE booked in Jun-2023 (expense) = \$18.9 million**

Insurance Service result **increased** by \$18.9 million

Insurance Finance Result **decreased** by \$18.9 million

The total year to date operating income is **unaffected**

FA Reporting Road Map



RSP 2023 Q2 Valuation Results

Valuation Results – Financial Impact

Prior year impacts in **Ontario** are mainly related to **Bodily Injury** claims development from multiple prior years.

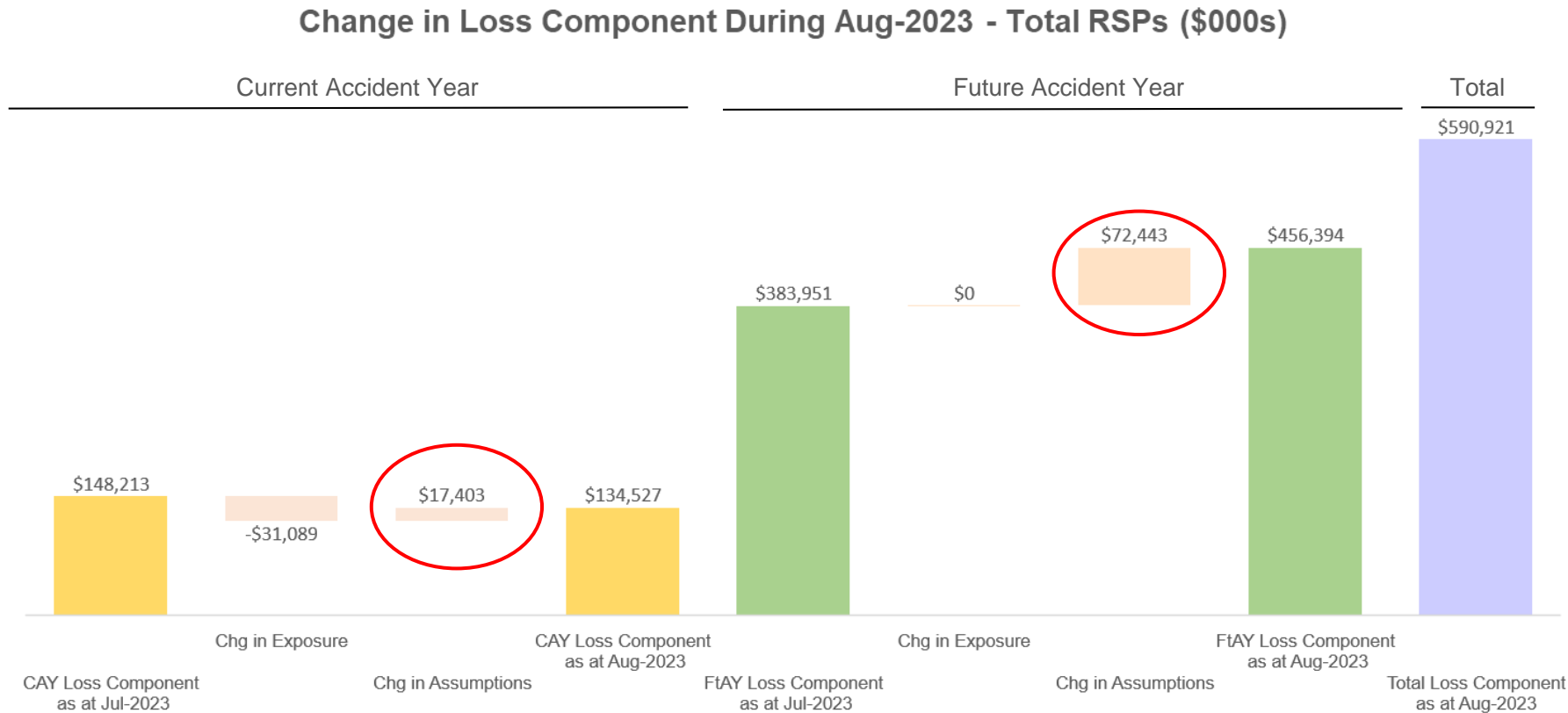
Current and future year impacts in **Ontario** are related mainly to **Comprehensive** loss ratios (theft)

Alberta impacts are mainly related to **Bodily Injury** claims (prior years, mainly since 2021, and projection of current and future year loss ratios)

Total financial impact of \$145M across all RSPs. \$23 million for prior year incurred claims, \$32 million for current year incurred claims, and \$90 million from **Loss Component re-estimation**, of which \$72 million relates to the future accident year of 2024.

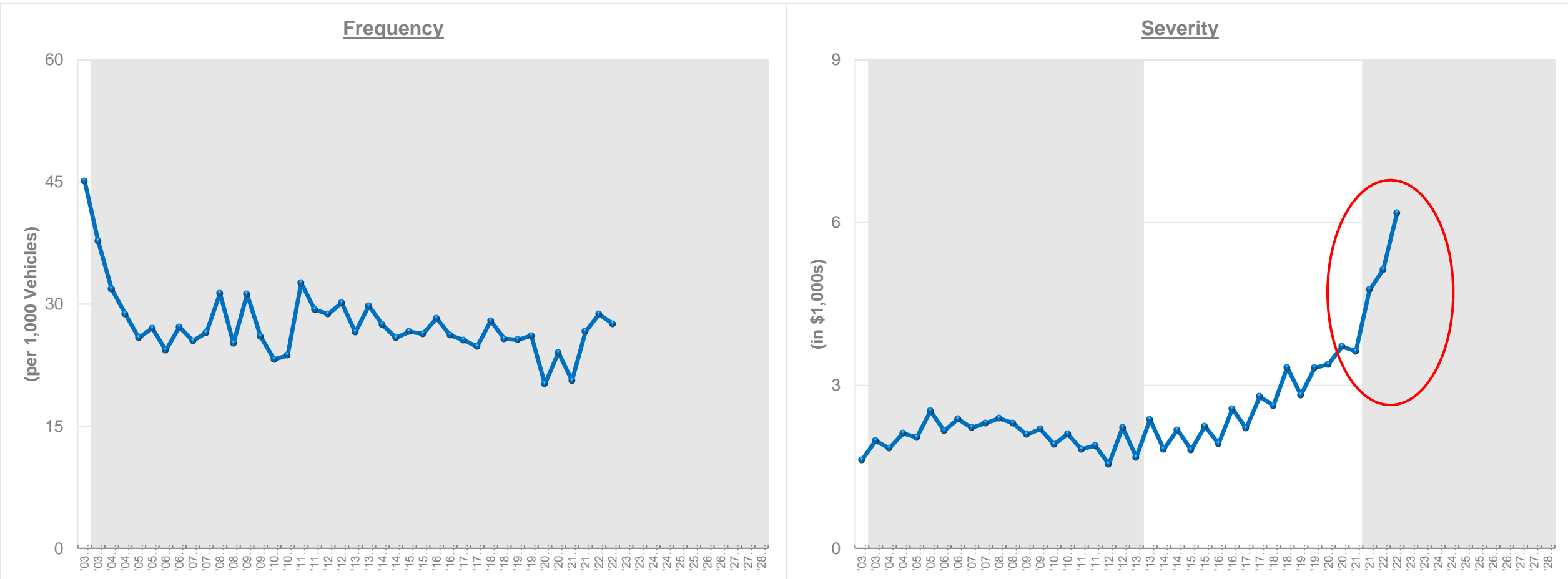
RSP	LIC Impact	LRC Impact	Total Impact	Impact on YTD COR
Ontario	27,836	65,632	93,468	38.7%
PAY	7,508	-	7,508	3.1%
CAY	20,328	12,513	32,841	13.6%
FtAY	-	53,119	53,119	22.0%
Alberta Grid	15,390	14,986	30,375	21.8%
PAY	9,048	-	9,048	6.5%
CAY	6,341	2,630	8,971	6.4%
FtAY	-	12,356	12,356	8.9%
Alberta Non-Grid	15,990	11,433	27,423	33.6%
PAY	10,390	-	10,390	12.7%
CAY	5,600	2,683	8,283	10.2%
FtAY	-	8,750	8,750	10.7%
New Brunswick	(694)	(2,448)	(3,142)	(46.9%)
PAY	(206)	-	(206)	(3.1%)
CAY	(487)	(456)	(944)	(14.1%)
FtAY	-	(1,992)	(1,992)	(29.7%)
Nova Scotia	(3,078)	(504)	(3,581)	(52.7%)
PAY	(2,961)	-	(2,961)	(43.6%)
CAY	(117)	(167)	(284)	(4.2%)
FtAY	-	(336)	(336)	(4.9%)
Newfoundland & Labrador	(444)	747	303	17.5%
PAY	(687)	-	(687)	(39.6%)
CAY	243	200	443	25.5%
FtAY	-	547	547	31.6%
TOTAL	55,000	89,846	144,846	30.3%
PAY	23,092	-	23,092	4.8%
CAY	31,907	17,403	49,310	10.3%
FtAY	-	72,443	72,443	15.2%

RSP Valuation Results – Detailed Look at Loss Component Impact



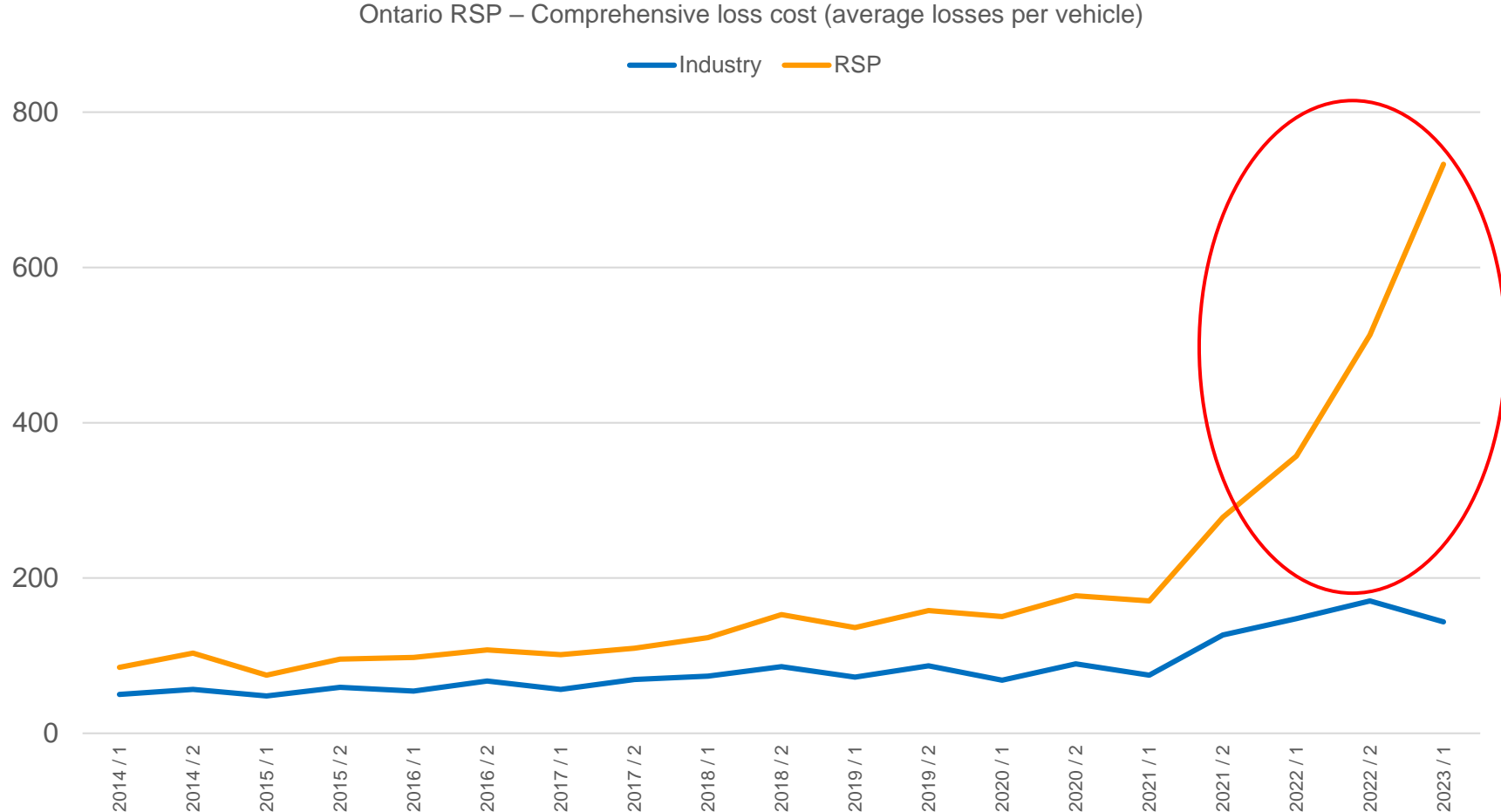
- Change in exposure represents the portion of premium earned during the month of August.
- Change in assumption represents the changes driven by loss ratios, premium projections, and present value calculations such as discounting.
 - The current and future year expected loss ratio increased as a result of the 2023 Q2 valuation for Ontario and Alberta. For Ontario, the expected loss ratio increased primarily driven by higher expected losses in comprehensive claims. For Alberta, the expected loss ratio increased driven by higher actuals than projected for bodily injury experience following the 2021 reform.

Valuation Observations: Ontario Comprehensive (Industry data)



- Severe increase in claim severity in the comprehensive coverage as a result of increase in auto theft starting in 2021.

Valuation Observations: Ontario Comprehensive – RSP vs Industry



- Despite the increase to Comprehensive losses we see in the overall industry, the results for RSP are significantly worse.
- Members are effectively identifying high theft risk vehicles and ceding them to the RSP.

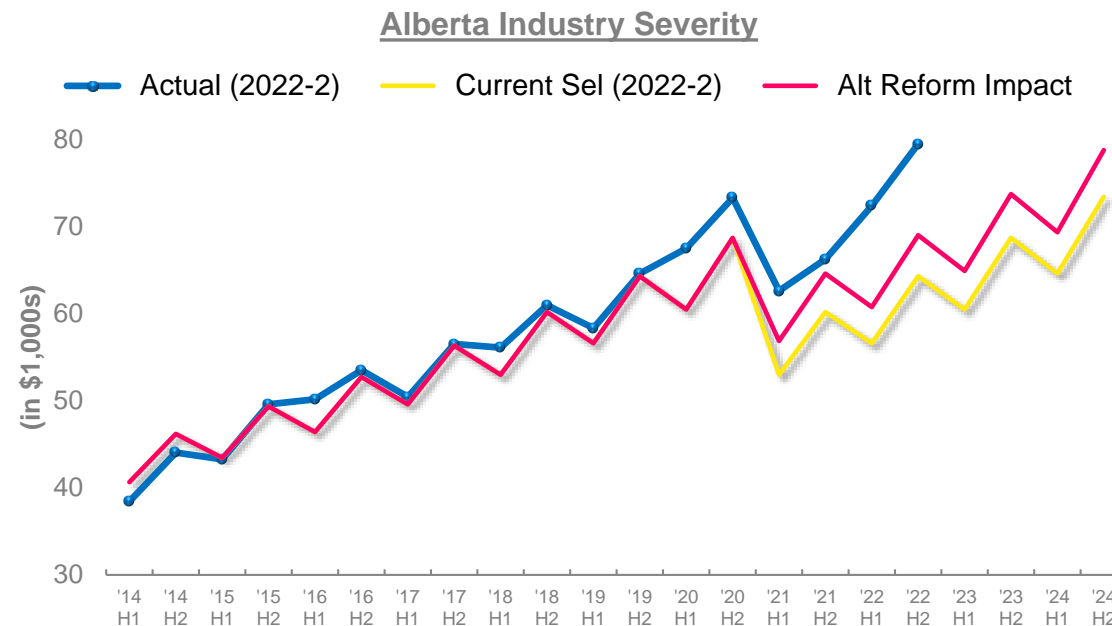
Valuation Observations: Ontario Bodily Injury (PPV) – RSP Dataset

	3	6	9	12	15	18	21	24	27	30	33	36	39	42	45	48	51	54	57	60	63	66	69	72
2017-03	1.495	1.180	1.236	1.078	1.074	1.070	1.079	1.142	1.095	1.026	1.050	1.042	1.134	1.019	0.999	1.023	1.007	1.001	0.993	1.014	0.962	1.011	0.989	1.020
2017-06	1.623	1.571	1.033	1.153	1.057	1.045	1.082	1.011	1.066	1.005	1.059	1.054	1.046	1.047	0.998	0.999	0.997	1.043	0.996	1.011	1.010	1.014	1.000	1.008
2017-09	1.600	1.049	1.152	1.011	1.137	1.031	1.089	1.168	1.070	1.064	1.030	1.000	1.041	0.994	0.990	1.052	1.008	1.004	0.995	1.011	1.020	1.012	1.009	
2017-12	2.178	1.169	1.107	1.137	1.051	1.005	1.074	1.027	1.050	1.079	1.016	1.054	1.025	1.003	1.004	1.017	0.992	1.014	1.026	1.020	1.010	1.031		
2018-03	2.455	1.056	1.002	1.082	1.000	1.101	1.001	1.139	1.111	1.037	1.053	1.038	1.017	1.021	1.020	1.023	1.017	1.010	1.015	1.034	0.996			
2018-06	1.465	1.134	1.057	1.072	1.075	1.049	1.048	1.107	1.115	0.990	1.057	1.005	1.044	1.001	1.008	1.005	1.047	1.045	0.999	1.051				
2018-09	1.542	1.060	1.066	1.083	1.070	1.125	1.152	1.169	1.083	1.084	1.036	1.022	1.035	1.001	1.015	1.033	1.023	0.996	1.018					
2018-12	2.166	1.031	1.139	1.029	1.077	1.037	1.086	1.087	1.088	1.030	1.035	1.029	1.010	1.052	0.997	0.988	1.046	1.059						
2019-03	1.835	1.210	1.003	1.164	1.073	1.056	1.063	1.153	0.995	1.034	0.993	1.054	1.003	1.151	1.014	0.997	1.004							
2019-06	1.514	1.192	1.097	1.101	1.096	1.099	1.124	1.124	1.020	1.024	1.016	1.070	0.995	1.140	1.041	1.017								
2019-09	2.028	1.109	1.085	1.136	1.148	1.065	1.068	1.049	1.089	1.060	1.090	1.007	1.016	0.999	1.087									
2019-12	2.111	1.080	0.974	1.069	1.091	1.149	1.104	1.108	1.102	1.044	1.039	1.111	1.048	1.054										
2020-03	1.733	1.145	1.053	1.060	1.122	1.122	1.062	1.085	1.176	1.014	1.084	1.091	1.006											
2020-06	1.516	1.280	1.318	0.951	1.209	1.073	1.029	1.167	1.045	1.021	1.192	1.032												
2020-09	1.793	1.196	0.997	1.042	1.083	1.063	1.078	1.095	1.049	1.029	1.054													
2020-12	1.424	0.988	1.200	0.976	1.084	1.071	1.089	1.102	1.035	1.111														
2021-03	1.164	1.107	1.508	1.041	1.106	1.069	1.135	1.303	1.092															
2021-06	1.395	1.653	1.007	0.999	1.077	1.060	1.210	1.221																
2021-09	1.756	1.413	1.153	1.036	1.119	1.081	1.156																	
2021-12	2.080	1.178	1.174	1.112	1.176	1.188																		
2022-03	2.773	1.438	1.214	1.136	1.108																			
2022-06	1.799	1.703	1.001	1.358																				
2022-09	2.444	1.110	1.111																					
2022-12	1.434	1.406																						
2023-03	1.400																							

- Reported claim development triangle showing increase in loss development during recent periods.
- Our assumptions are:
 - Claim settlement rate was impacted during COVID-19 and is now “catching up” – but is this a temporary or permanent shift in the pattern?
 - Claim settlement amounts may be impacted by pre-judgment interest rates rising – pre-judgement interest rate has been low for many years until recently rates rose sharply in 2022-2023. If claims are closing with much higher pre-judgement interest payments than we have seen in the last 10 years, this could show up as unexpectedly high claim development (like in the above triangle).
 - Potentially these 2 factors could be compounding each other.

Valuation Observations: Alberta Bodily Injury

- ❑ Reform impact of -18% used in our projections for Bodily Injury based on AIRB Annual Review of Industry Experience revised as of June 30, 2022
- ❑ Unfavourable development has been observed across most accident quarters since the introduction of the reform and based on the emerged experience it appears that the -18% impact has not materialized. Much of the 18% benefit we expected was a change from fixed to floating rate of pre-judgement interest, but since the 2021 reform, interest rates have risen above the prior fixed rate.
- ❑ To adjust for this, we measured the scalar at 21H1, the time of the reform, and considered the impact of COVID - selected a revised reform impact of -12%



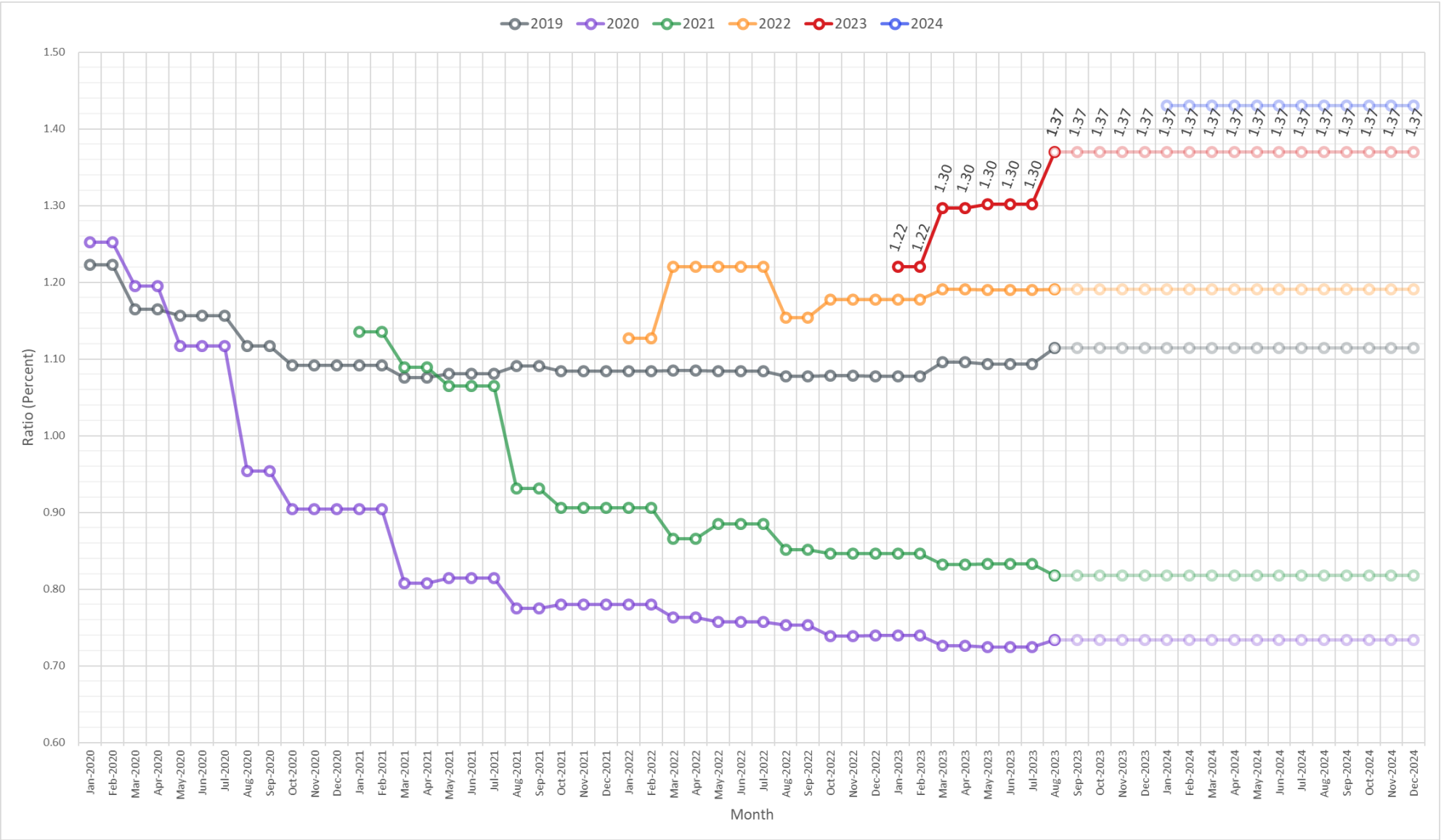
Valuation Results – Ultimate Claims Development

2023 Q2 Valuation Results

	Change in Estimated Ultimate Amounts from Prior Valuation (\$000s)									
AY	Dec-18	Dec-19	Dec-20	Dec-21	Dec-22		Mar-23	Jun-23	Sep-23	Dec-23
2013 & Prior	-11,456	-8,094	-3,798	11,436	-1,572		488	-624		
2014	-1,751	-7,031	-6,879	-1,191	635		405	-1,360		
2015	-7,288	-1,827	-4,332	-1,695	-3,462		-1,275	3,433		
2016	-9,899	-7,189	-43	-1,748	-2,962		-1,687	250		
2017	-37,989	-38,655	-13,624	-632	1,288		1,021	1,261		
2018		-45,912	-15,077	871	1,905		7,858	6,234		
2019			-62,045	-3,267	6,906		-589	9,917		
2020				-40,925	-14,384		-1,245	5,509		
2021					-12,767		-1,641	2,018		
2022							-960	10,303		
2023								283,080		
Total	-68,382	-108,708	-105,799	-37,151	-24,411		2,376	320,020		
Total excl. 2023							2,376	36,940		

- This table shows the change in ultimate claims over time. The latest valuation impact to prior year reserves is an increase of \$36.9 million.
- Reserve increase is spread out over a number of recent years, with the biggest impact to 2022. These reserve increases represent a fairly small portion of the \$1.7 billion RSP claims liabilities.
- Although this year's result for prior years is unfavourable (in contrast to last year), most of the unfavourable impact this quarter relates to the current and future years (2023 & 2024)

RSP – Development of Accident Year Loss Ratio Over Time



Questions?

Facility Association Members Call

IFRS 17 Reporting Update
Appendices

October 17th, 2023



Appendices

- Overview of Monthly Operational Report

Overview of Monthly Operational Report

□ Structure of the report:

■ Pool Total

- Month to date (results for the current accounting month as stated at the top of the report)
 - Statement of Operations Captions (this is the income statement up to the operating result), broken down into insurance revenue, insurance service expense and insurance finance expense
 - Cash Flow Movements
- Fiscal Year to Date (FA's fiscal year is from November 1st to October 31st)
 - Statement of Operations Captions (this is the income statement up to the operating result), broken down into insurance revenue, insurance service expense and insurance finance expense
 - Cash Flow Movements
- All Years (All Years is important because member sharing is based on the All Years amounts)
 - Statement of Operations Captions (this is the income statement up to the operating result), broken down into insurance revenue, insurance service expense and insurance finance expense
 - Cash Flow Movements
- As At Reporting Date (balance sheet at the accounting date)
- Memo Items (additional balances of interest to members, as at the accounting date)

■ Member's Share

- Month to date (results for the current accounting month as stated at the top of the report)
 - Statement of Operations Captions (this is the income statement up to the operating result), broken down into insurance revenue, insurance service expense and insurance finance expense
 - Cash Flow Movements
- Fiscal Year to Date (FA's fiscal year is from November 1st to October 31st)
 - Statement of Operations Captions (this is the income statement up to the operating result), broken down into insurance revenue, insurance service expense and insurance finance expense
 - Cash Flow Movements
- All Years (All Years is important because member sharing is based on the All Years amounts)
 - Statement of Operations Captions (this is the income statement up to the operating result), broken down into insurance revenue, insurance service expense and insurance finance expense
 - Cash Flow Movements
- As At Reporting Date (balance sheet at the accounting date)
- Memo Items (additional balances of interest to members, as at the accounting date)
- Member's Share of Pool Results – This is the member's share of the monthly written premium less expenses and claim payments
- Account Reconciliation – This is the difference between the member's share of the pool results and the net amount of premium and losses the member ceded; it tells us how much money the member will receive/must transfer to the RSP

Overview of Monthly Operational Report

□ Structure of the report:

■ Reported By Member

- Month to date (results for the current accounting month as stated at the top of the report)
 - Premium transferred by the member to the RSP
 - Claim payments transferred by the member to the RSP
- All Years to date (All Years is important because member sharing is based on the All Years amounts)
 - Retention – summary of premium and claims on policies transferred to the RSP that was retained by the member (in cases where the retention is >0)
 - Transferred – summary of premium and claims on policies transferred to the RSP that was transferred to the pool

■ Projections

- Fiscal Year
 - Statement of Operations Captions – this shows:
 - The member's share of the actual fiscal year to date operating result of the RSP
 - The member's share of the projected operating result for the next 2 calendar months
 - The member's share of the previous November and December results (based on the previous October's projection), which is used to convert the fiscal year result to an approximate calendar year result by removing November and December from the fiscal year result
 - The member's share of the projected calendar year to date result, 2 months from the accounting date
 - Last accounting month's projection of the member's share of the projected calendar year to date result, 2 months from last month's accounting date
 - The difference between this month's projection of the member's share of the projected operating results 2 months from the accounting date; and last accounting month's projection of the member's share of the projected calendar year to date result, 2 months from last month's accounting date
 - This is provided in case the member is using projected, rather than actual FA results to book into their financial results, and wants to book the difference between last month's projection to this month's projection.
 - Cash Flow Movements
- As At Reporting Date
 - The current accounting month balance sheet items
 - The balance sheet items projected 1 month ahead
 - The balance sheet items projected 2 months ahead
- Memo Items
 - The current accounting month memo item balances
 - The memo item balances projected 1 month ahead
 - The memo item balances projected 2 months ahead