

TO: MEMBERS OF THE FACILITY ASSOCIATION
ATTENTION: CHIEF EXECUTIVE OFFICER
BULLETIN NO: F2025 – 026
DATE: June 30, 2025
SUBJECT: Risk Sharing Pool – May 2025 Operational Report

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

Please be advised that the May 2025 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. The results presented in this bulletin reflect the combined results of the six pools unless otherwise specified.

Amounts in \$000s	Actual (May 2025)	Prior Year (May 2024)	% Change	2025 year-end Projection	2024 year-end Actual	% Change
Income Statement Highlights						
Insurance Revenue	75,444	69,442	8.6%	907,554	816,454	11.2%
Operating Result	(578)	17,670	(103.3%)	(709,815)	(900,312)	(21.2%)
Written Vehicle Counts	39,777	36,180	9.9%	455,417	456,985	(0.3%)
Average Written Premium (\$s)	3,107	3,279	(5.2%)	3,079	2,878	7.0%
Combined Operating Ratio (%)	100.8%	74.6%	26.2% pts	178.2%	210.3%	(32.1%) pts
Balance Sheet Snapshot						
LIC	2,151,557	1,844,564	16.6%	2,236,914	2,019,012	10.8%
Nominal Unpaid Claims	2,208,454	1,932,942	14.3%	2,312,726	2,083,500	11.0%
Discount Amount	(206,415)	(223,075)	(7.5%)	(221,428)	(203,327)	8.9%
Risk Adjustment	149,518	134,696	11.0%	145,616	138,838	4.9%
LRC	1,468,811	1,344,122	9.3%	1,130,234	1,061,478	6.5%
LRC Excluding Loss Component	379,623	347,622	9.2%	422,684	392,102	7.8%
Loss Component	1,089,188	996,500	9.3%	707,550	669,376	5.7%

Related Links:

- [LRC Calculation File](#)
- [Detailed Valuation Results file](#)
- [Supplementary Information including Exhibits](#)
- [RSP Summary of Operations - Calendar Year 2025](#)

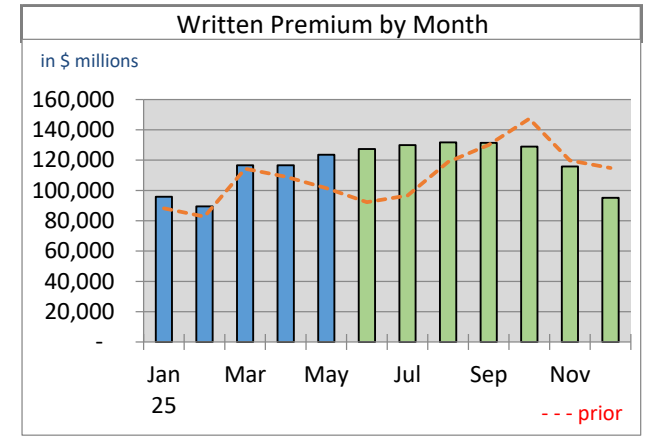
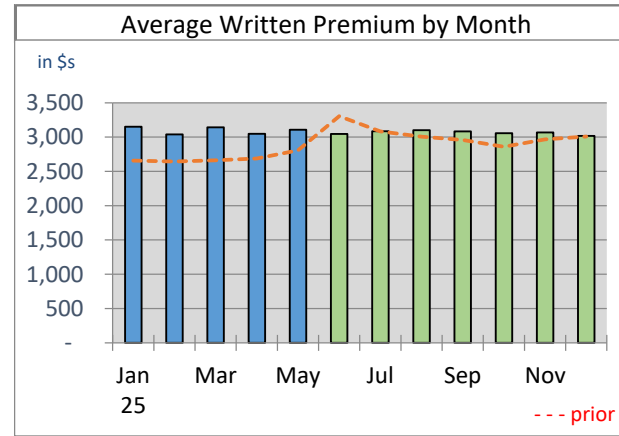
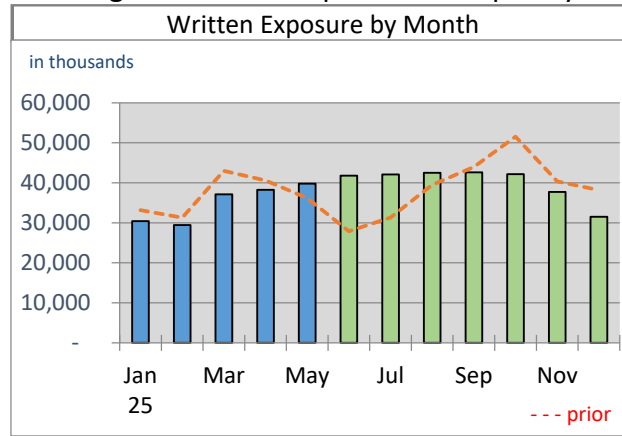
RSP Summary of IFRS17 Financial Results	Actual	Projection	Prior Year	2025 year-to-date	2024 year-to-date	2025 year-end	Outlook*	2024 year-end
Amounts in \$000s	(May 2025)	(May 2025)	(May 2024)	as at 5 months	as at 5 months	Projection	Full year 2025	Actual
Written Premium	123,578	118,616	101,547	542,115	495,911	1,402,313	1,355,583	1,315,419
Received Premium	117,048	117,830	109,553	533,448	499,921	1,422,934	1,358,411	1,316,788
Earned Premium	115,006	116,812	105,054	550,449	496,447	1,378,696	1,326,036	1,233,246
Earned Expense Allowance	(39,561)	(40,250)	(35,612)	(188,905)	(167,299)	(471,142)	(457,167)	(416,791)
Insurance Revenue	75,444	76,563	69,442	361,544	329,149	907,554	868,870	816,454
Total Claims Incurred	111,696	127,586	125,020	588,729	562,549	1,474,617	1,468,598	1,354,116
<i>Claims incurred (CAY)</i>	118,211	131,162	116,649	613,450	564,925	1,523,373	1,512,869	1,363,519
<i>Adjustments to Liabilities for Incurred Claims (PAYs)</i>	(6,515)	(3,577)	8,371	(24,720)	(2,376)	(48,756)	(44,271)	(9,403)
Administrative Expense	796	1,283	247	3,814	3,377	12,029	16,439	8,742
Losses on Onerous Contracts	(19,086)	0	(19,843)	652,073	657,933	652,073	757,662	609,773
Reversal of Losses on Onerous Contracts	(56,830)	(56,830)	(51,569)	(276,940)	(232,156)	(674,810)	(674,379)	(569,905)
Insurance Service Expenses	36,576	72,039	53,855	967,676	991,702	1,463,910	1,568,320	1,402,727
Insurance Service Result	38,868	4,524	15,587	(606,133)	(662,554)	(556,355)	(699,450)	(586,273)
Insurance Finance Expense from PV FCF	(17,139)	(5,844)	(1,276)	(41,573)	(75,653)	(86,442)	(80,432)	(162,615)
Insurance Finance Expense from Risk Adjustment	(1,098)	(443)	20	(2,818)	(5,911)	(6,107)	(5,741)	(12,469)
Insurance Finance Expense from Loss Component	(21,208)	(3,433)	3,339	(44,679)	(80,172)	(60,910)	(41,729)	(138,955)
Insurance Finance Income (Expense)	(39,446)	(9,719)	2,083	(89,070)	(161,736)	(153,460)	(127,902)	(314,039)
Operating Result	(578)	(5,196)	17,670	(695,202)	(824,290)	(709,815)	(827,352)	(900,312)
Key Ratios:								
Loss Ratio	148.1%	166.6%	180.0%	162.8%	170.9%	162.5%	169.0%	165.9%
<i>CAY Loss Ratio</i>	156.7%	171.3%	168.0%	169.7%	171.6%	167.9%	174.1%	167.0%
<i>PAY Loss Ratio</i>	(8.6%)	(4.7%)	12.1%	(6.8%)	(0.7%)	(5.4%)	(5.1%)	(1.2%)
Onerous Contract Ratio (excluding IFIE)	(100.6%)	(74.2%)	(102.8%)	103.8%	129.4%	(2.5%)	9.6%	4.9%
<i>Earned Expense allowance</i>	34.4%	34.5%	33.9%	34.3%	33.7%	34.2%	34.5%	33.8%
Administrative Expenses	1.1%	1.7%	0.4%	1.1%	1.0%	1.3%	1.9%	1.1%
Insurance Service Ratio	48.5%	94.1%	77.6%	267.7%	301.3%	161.3%	180.5%	171.8%
Combined Operating Ratio	100.8%	106.8%	74.6%	292.3%	350.4%	178.2%	195.2%	210.3%

rounding differences may occur

*as posted to FA's website Dec 23, 2024

- **Claims Incurred:** Current AY loss ratio decreased compared to projection primarily driven by continued lower than expected development in Ontario comprehensive and collision claims.
- **Losses on Onerous Contracts:** This represents a change in the loss component during the reporting period arising from initial recognition and subsequent re-estimation of the loss component (due to changes in premium or loss ratio projections, for example). This month the losses on onerous contracts decreased by \$19.1 million driven by a reduction in Ontario AY 2025 and AY 2026 Comprehensive and Collision loss ratios.
- **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 and completely aligns with projection.
- **Insurance Finance income/(expense):** This is comprised of both the release of the effect of discounting due to the passage of time (also known as discount unwinding) and the effect due to changes in discounting assumptions. The latter is only reflected in implementation months (March, May, August, and November), when the yield curve is updated. The combined yield impact on the LIC and LRC is approximately an unfavorable change of \$29.7 million driven by a decrease yields of approximately 24 to 26 basis points across all pools.

The charts below show the exposure by month where the blue bars represent the actual metric, the green bars represent the projected metric, and the orange dotted line represents the prior year metric.



The vehicle count transfer for the month was 39,777 vehicles, which was higher than prior year by 3,597 vehicles and 2,825 vehicles lower than The Outlook for the month

Impact of 2025 Q1 Valuation

A valuation of the RSP as at March 31, 2025 has been completed since last month's Operational Report as the results of the valuation has been incorporated into this month's Operational Report. The implementation of the new valuation resulted in an estimated **\$0.1 million overall favorable** impact on the month's net results from operations. The favorable impact is primarily coming from Ontario due to better than expected experience in both Comprehensive and Collision claims. This is partially offset by continued deterioration in Alberta bodily injury.

	ON	AB Grid	AB non-Grid	NS	NB	NL	TOTAL
LIC Impact	(10,041)	5,875	1,754	(141)	496	(63)	(2,121)
PAY	(9,188)	4,649	1,028	(425)	511	(184)	(3,609)
CAY	(853)	1,226	726	284	(15)	121	1,488
LRC Impact	(3,861)	1,619	3,490	559	224	92	2,122
CAY	(5,796)	1,346	2,297	599	(86)	94	(1,546)
FtAY	1,935	273	1,192	(39)	311	(3)	3,668
Total	(13,902)	7,493	5,243	418	720	29	1
Impact on YTD COR	(6.9%)	10.1%	7.7%	5.2%	12.0%	1.1%	0.0%

The below table shows the yield impact on the liabilities this month which reflects a decrease of 24 to 26 basis points.

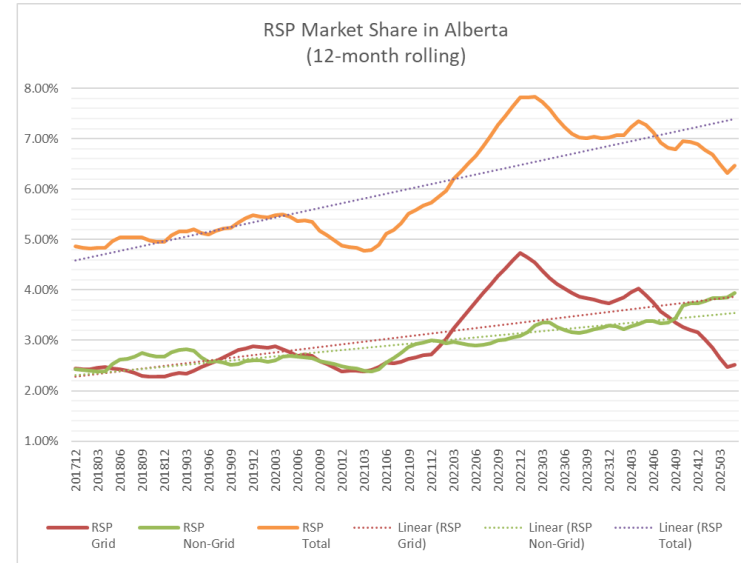
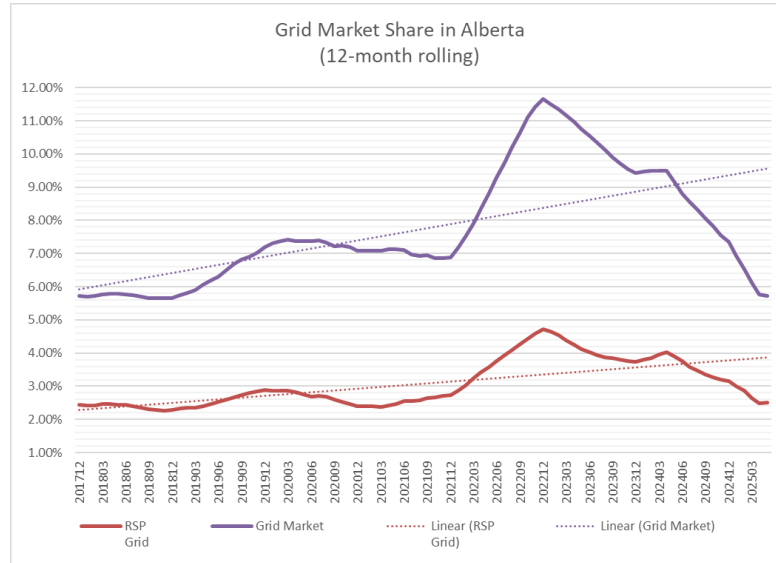
Yield Impact Breakdown							
	ON	AB Grid	AB non-Grid	NS	NB	NL	TOTAL
LIC	7,800	3,715	(34)	254	184	48	11,967
LRC	10,206	2,475	4,183	446	292	173	17,775
TOTAL	18,006	6,191	4,149	700	476	221	29,742

Alberta Market Share Update

Recent announcements in Alberta include:

- Adjustments to the Grid premiums effective Jan 01, 2025 including a 10% base rate increase outlined in the [AIRB Order 02-2024](#)
- Increasing the differentials for the lowest Grid steps outlined in the [GRID Guidance](#)
- “Good Driver” rate cap of 3.7% which is set to expire at the end of the year will increase to 7.5% effective Jan 01, 2025. See further detail [here](#)
- The Grid system will be formally withdrawn on Jan 01, 2027. As well, Alberta will introduce a “care-first” accident benefits system to replace the current injury tort liability system with an expected go-live date of Jan 01, 2027. See further detail [here](#)

These measures are expected to result in continued reductions to the Grid RSP vehicle counts and potentially a further increase in the Non-Grid RSP vehicle counts. The bottom left graph below shows the 12-month rolling Grid market share and the bottom right graph shows the 12-month rolling RSP market share in Alberta.



Following the Grid changes effective on May 1st 2024, the Grid Market share **decreased by 0.29% on average monthly** i.e. from a starting point of **9.49% in April 2024 to 5.73% in May 2025** while the RSP Grid is decreasing on average by **0.12% from 4.03% in April 2024 to 2.52% in May 2025**. RSP Non-Grid continues to increase at a steady pace going from **3.32% in April 2024 to 3.95% in May 2025**. Following the bump in October, the market share is steadily increasing but at a lesser pace (+0.04% on average). We will continue to monitor the market share of these pools closely.

Should you require any further information, please contact Philippe Gosselin, VP Actuarial and CRO at pgosselin@facilityassociation.com or at (416) 863-1750 x4968.

Saskia Matheson
President & CEO