

TO: MEMBERS OF THE FACILITY ASSOCIATION

ATTENTION: CHIEF EXECUTIVE OFFICER

BULLETIN NO: F2025 – 008

DATE: February 28, 2025

SUBJECT: Risk Sharing Pool – January 2025 Operational Report

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

Please be advised that the January 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 for RSPs unless otherwise specified.

SPECIAL NOTE: Initial Recognition

Please note that there is a substantially large operating deficit for the RSPs this month driven by the **initial recognition of the 2026 loss component**. As per FA's accounting policy¹, January of each year will “trigger” the future accident year loss component and all future losses associated with accident year 2026 are recognized this month. Detailed commentary found on page 3 below.

Highlights

- (a) The **January 2025 received premium** was \$113.1 million, higher than prior year by \$9.6 million. The **projection year-end received premium** is \$1,374.0 million;
- (b) The **January 2025 insurance revenue** was \$73.3 million, higher than prior year by \$7.4 million. The **projection year-end insurance revenue** is \$887.5 million;
- (c) The **January 2025 operating result** was a deficit of \$760.7 million, higher than prior year by \$12.1 million. The **projection year-end operating result** is a deficit of \$825.1 million;
- (d) The **January 2025 combined operating ratio** was 1138.3%, lower than prior year by 99.1 percentage points. The **projection year-end combined operating ratio** is 193.0%;

¹ [https://www.facilityassociation.com/docs/03_IFRS_17_policy_paper - Initial recognition and contract boundary.pdf](https://www.facilityassociation.com/docs/03_IFRS_17_policy_paper_-_Initial_recognition_and_contract_boundary.pdf)
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RSP Summary of IFRS17 Financial Results

RSP 2025 Summary Amounts in \$000s	Actual (January 2025)	Projection (January 2025)	Prior Year (January 2024)	2025 year-end Projection	Outlook* Full year 2025	2024 year-end Actual
Written Premium	95,857	96,460	88,181	1,354,971	1,355,583	1,315,419
Received Premium	113,071	114,956	103,514	1,373,953	1,358,411	1,316,788
Earned Premium	111,313	113,863	98,449	1,354,474	1,326,036	1,233,246
Earned Expense Allowance	(38,043)	(38,931)	(32,627)	(466,986)	(457,167)	(416,791)
Insurance Revenue	73,270	74,932	65,822	887,488	868,870	816,454
Total Claims Incurred	122,382	124,713	104,309	1,504,422	1,468,598	1,354,116
Claims incurred (CAY)	129,238	130,159	112,141	1,550,494	1,512,869	1,363,519
Adjustments to Liabilities for Incurred Claims (PAYs)	(6,856)	(5,446)	(7,832)	(46,072)	(44,271)	(9,403)
Administrative Expense	795	1,091	1,207	16,063	16,439	8,742
Losses on Onerous Contracts	755,759	756,692	735,921	755,759	757,662	609,773
Reversal of Losses on Onerous Contracts	(56,183)	(56,183)	(43,369)	(693,628)	(674,379)	(569,905)
Insurance Service Expenses	822,753	826,314	798,068	1,582,617	1,568,320	1,402,727
Insurance Service Result	(749,483)	(751,382)	(732,246)	(695,128)	(699,450)	(586,273)
Insurance Finance Expense from PV FCF	(7,691)	(7,691)	(12,217)	(81,896)	(80,432)	(162,615)
Insurance Finance Expense from Risk Adjustment	(540)	(540)	(923)	(5,828)	(5,741)	(12,469)
Insurance Finance Expense from Loss Component	(3,034)	(3,034)	(3,233)	(42,245)	(41,729)	(138,955)
Insurance Finance Income (Expense)	(11,265)	(11,265)	(16,373)	(129,968)	(127,902)	(314,039)
Operating Result	(760,749)	(762,648)	(748,619)	(825,097)	(827,352)	(900,312)
Ratios:						
Loss ratio - Claims Incurred (CAY)	176.4%	173.7%	170.4%	174.7%	174.1%	167.0%
- Adjustments to Liabilities for Incurred Claims (PAYs)	(9.4%)	(7.3%)	(11.9%)	(5.2%)	(5.1%)	(1.2%)
Total	167.0%	166.4%	158.5%	169.5%	169.0%	165.9%
Earned Expense allowance	34.2%	34.2%	33.1%	34.5%	34.5%	33.8%
Change in Loss Component (excluding IFE)	954.8%	934.9%	1,052.2%	7.0%	9.6%	4.9%
Administrative Expenses	1.1%	1.5%	1.8%	1.8%	1.9%	1.1%
Insurance Service Ratio	1122.9%	1102.8%	1212.5%	178.3%	180.5%	171.8%
Combined Operating Ratio	1,138.3%	1,117.8%	1,237.3%	193.0%	195.2%	210.3%

rounding differences may occur

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

RSP 2025 Summary of Liabilities Amounts in \$000s	Actual (January 2025)	Projection (January 2025)	Prior Year (January 2024)	2025 year-end Projection	Outlook* Full year 2025	2024 year-end Actual
LIC	2,047,023	2,041,439	1,713,964	2,244,972	2,212,824	2,019,012
Undiscounted Case Reserves	1,231,381	1,238,028	1,089,272	1,394,033	1,383,537	1,226,092
Undiscounted IBNR	880,305	868,377	742,641	929,805	906,579	857,408
Discount	(204,532)	(204,409)	(243,565)	(223,241)	(219,830)	(203,327)
PV FCF	1,907,155	1,901,997	1,588,349	2,100,596	2,070,286	1,880,174
Risk Adjustment	139,868	139,442	125,616	144,375	142,538	138,838
Risk Adjustment %	7.33%	7.33%	7.91%	6.87%	6.88%	7.38%
LRC	1,765,304	1,766,012	1,536,886	1,173,015	1,175,719	1,061,478
LRC excl. Loss Component	393,317	393,092	350,549	399,263	398,777	392,102
Loss Component	1,371,987	1,372,920	1,186,336	773,752	776,943	669,376

Insurance Service Expenses Key Drivers

- Claims Incurred** - Incurred losses were \$122.4 million, lower than projection by \$2.3 million and \$18.1 million higher compared with the same month last year. Loss ratio was at 176.4%, 2.7 percentage points higher than projected, and 6.0 percentage points higher than prior year.
 - The total CAT impact for the Alberta Hail in August on a full year basis remains at \$80.0 million (consistent with prior report), of which \$77.0 million has already been incurred to date. We will continue to closely monitor the development of these claims. See below breakdown of incurred losses by month:

Date	Pool	Paid Loss	Case Reserve	Total Incurred	Approximate Additional CAT booking amount	Approximate Total CAT impact (rounded)
		[1]	[2]	[3] = [1]+[2]	[5]	[6] = [3]+[5]
Change in Aug-2024	Alberta Grid	2,794,627	11,415,049	14,210,306		
	Alberta non-Grid	4,063,408	21,022,129	25,085,537		
Total change in Aug-2024		6,858,035	32,437,178	39,295,843		
Change in Sep-2024	Alberta Grid	7,882,682	(243,525)	7,639,640		
	Alberta non-Grid	12,136,100	(274,241)	11,862,674		
Total change in Sep-2024		20,018,782	(517,766)	19,502,314		
Change in Oct-2024	Alberta Grid	6,970,261	(2,395,261)	4,594,173		
	Alberta non-Grid	11,695,345	(2,759,744)	8,949,636		
Total change in Oct-2024		18,665,606	(5,155,005)	13,543,809		
Change in Nov-2024	Alberta Grid	3,875,965	(2,287,751)	1,610,046		
	Alberta non-Grid	6,658,280	(3,340,283)	3,342,205		
Total change in Nov-2024		10,534,245	(5,628,034)	4,952,251		
Change in Dec-2024	Alberta Grid	1,257,070	(1,869,656)	(585,660)		
	Alberta non-Grid	4,485,698	(4,259,197)	239,786		
Total change in Dec-2024		5,742,768	(6,128,853)	(345,874)		
Change in Jan-2025	Alberta Grid	730,183	(1,281,067)	(539,609)		
	Alberta non-Grid	3,105,241	(2,487,263)	622,918		
Total change in Jan-2025		3,835,424	(3,768,330)	83,309		
Total CAT Impact	Alberta Grid	23,510,788	3,337,789	26,928,896	2,071,104	29,000,000
	Alberta non-Grid	42,144,072	7,901,401	50,102,756	897,244	51,000,000
Total CAT Impact		65,654,860	11,239,190	77,031,652	2,968,348	80,000,000

- **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 increased by \$755.8 million primarily driven by **initial recognition of the Accident Year 2026 Loss Component**.

Initial recognition of the loss component for the future year occurs annually in January as the sharing mechanism of the future year is triggered based on our Plan of Operations. The loss component accounts for the entire fulfillment cash flows of accident year 2026 including those of future risks projected to be written and transferred to the RSP.

Please see the table below for a further breakdown of the losses on Onerous Contracts by Pool and accident year. CAY denotes the current accident year (2025) and the FtAY denotes the future accident year (2026). More information on the initial recognition and projected LRC unwinding is shown below:

Losses on Onerous Contracts for January 2025

	Ontario	Alberta Grid	Alberta Non-Grid	New Brunswick	Nova Scotia	Newfoundland & Labrador	Total
CAY	3,521	57	(941)	(274)	(31)	(1,166)	1,167
FtAY	532,311	27,869	134,993	13,689	19,555	26,175	754,592
Total	535,832	27,926	134,052	13,415	19,524	25,009	755,759

- **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.

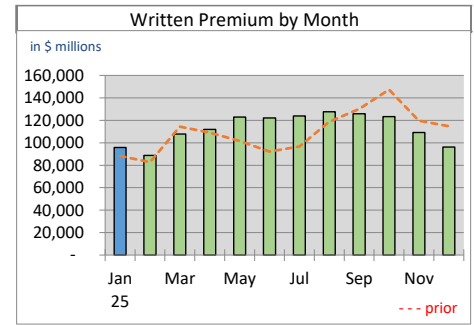
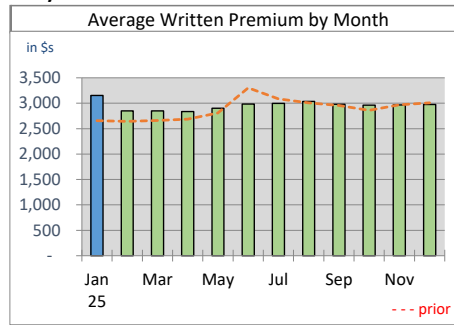
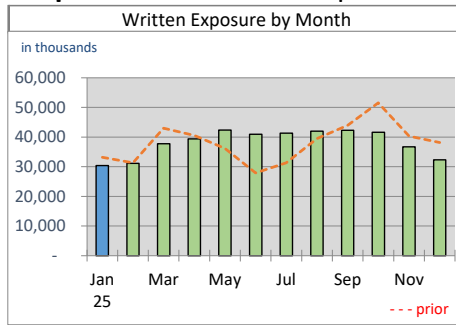
Insurance Finance Income

Insurance Finance income/ (expense) is comprised of:

- The release of the effect of discounting due to the passage of time (also known as discount unwinding)
- The effect due to changes in discounting assumptions. This change is only reflected in implementation months (March, May, August, and November), when the yield curve is updated.

Premium

The **premium drivers** compared to prior year are:



The vehicle count transfer for the month was 30,421 vehicles, which was lower than prior year by 2,763 vehicles and 4,083 vehicles lower than The Outlook for the month.

RSP Summary of full year Vehicle Count

	January	February	March	April	May	June	July	August	September	October	November	December	CY 2025	CY 2024
Jurisdiction	Actual	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Year-End	Year-End
Ontario	16,357	14,923	19,072	19,097	21,085	20,349	19,982	19,864	19,837	19,360	17,449	14,986	222,362	216,006
Alberta Grid	3,637	4,310	4,971	5,664	5,905	5,978	6,428	6,944	6,681	6,718	5,686	5,299	68,222	96,052
Alberta Non-Grid	7,945	8,585	9,569	10,195	10,612	9,927	10,037	10,375	10,811	10,598	9,055	8,082	115,792	113,500
New Brunswick	966	1,124	1,390	1,483	1,630	1,543	1,641	1,606	1,686	1,777	1,692	1,425	17,962	12,438
Nova Scotia	1,264	1,300	1,783	1,854	1,944	1,945	2,102	2,089	2,139	2,082	1,887	1,701	22,091	14,383
Newfoundland & Labrador	252	873	1,003	1,140	1,193	1,197	1,117	1,133	1,111	1,063	975	868	11,926	4,606
Total	30,421	31,115	37,787	39,434	42,370	40,939	41,308	42,012	42,265	41,599	36,744	32,359	458,354	456,985

RSP Summary of full year Written Premium

	January	February	March	April	May	June	July	August	September	October	November	December	CY 2025	CY 2024
Jurisdiction	Actual	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Year-End	Year-End
Ontario	59,182	48,193	60,790	60,457	67,417	67,489	66,684	66,608	65,957	65,059	58,773	50,897	737,507	710,948
Alberta Grid	14,101	14,545	16,654	19,148	20,222	21,051	22,689	24,593	22,875	23,070	19,668	17,880	236,495	298,697
Alberta Non-Grid	18,016	19,224	22,007	23,331	25,634	24,081	24,725	26,071	26,471	24,977	21,212	19,367	275,114	248,772
New Brunswick	1,669	1,831	2,238	2,422	2,649	2,557	2,710	2,844	3,048	3,101	2,919	2,488	30,477	20,975
Nova Scotia	2,405	2,672	3,500	3,639	3,800	3,743	3,979	4,326	4,423	4,172	3,890	3,352	43,901	27,646
Newfoundland & Labrador	485	2,245	2,537	2,926	3,133	3,157	3,000	3,167	3,069	2,906	2,593	2,259	31,477	8,380
Total	95,857	88,711	107,727	111,923	122,855	122,078	123,786	127,608	125,843	123,285	109,055	96,243	1,354,971	1,315,419

RSP Summary of full year Average Written Premiums

	January	February	March	April	May	June	July	August	September	October	November	December	CY 2025	CY 2024
Jurisdiction	Actual	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Year-End	Year-End
Ontario	3,618	3,229	3,187	3,166	3,197	3,317	3,337	3,353	3,325	3,360	3,368	3,396	3,317	3,291
Alberta Grid	3,877	3,375	3,351	3,380	3,425	3,521	3,529	3,542	3,424	3,434	3,459	3,374	3,467	3,110
Alberta Non-Grid	2,268	2,239	2,300	2,288	2,416	2,426	2,463	2,513	2,448	2,357	2,343	2,396	2,376	2,192
New Brunswick	1,727	1,629	1,610	1,634	1,625	1,658	1,652	1,771	1,808	1,744	1,726	1,746	1,697	1,686
Nova Scotia	1,902	2,056	1,963	1,962	1,954	1,925	1,893	2,070	2,068	2,004	2,062	1,971	1,987	1,922
Newfoundland & Labrador	1,926	2,570	2,530	2,566	2,626	2,638	2,685	2,796	2,763	2,732	2,659	2,603	2,639	1,819
Total	3,151	2,851	2,851	2,838	2,900	2,982	2,997	3,037	2,977	2,964	2,968	2,974	2,956	2,878

Projected Year-End 2024

Compared with The Outlook released in December 2024, written premium has decreased by \$0.6 million. Calendar year earned premium is up by \$28.4 million. The projected year-end 2025 operating deficit is \$825.1 million, \$2.3 million improvement compared with The Outlook.

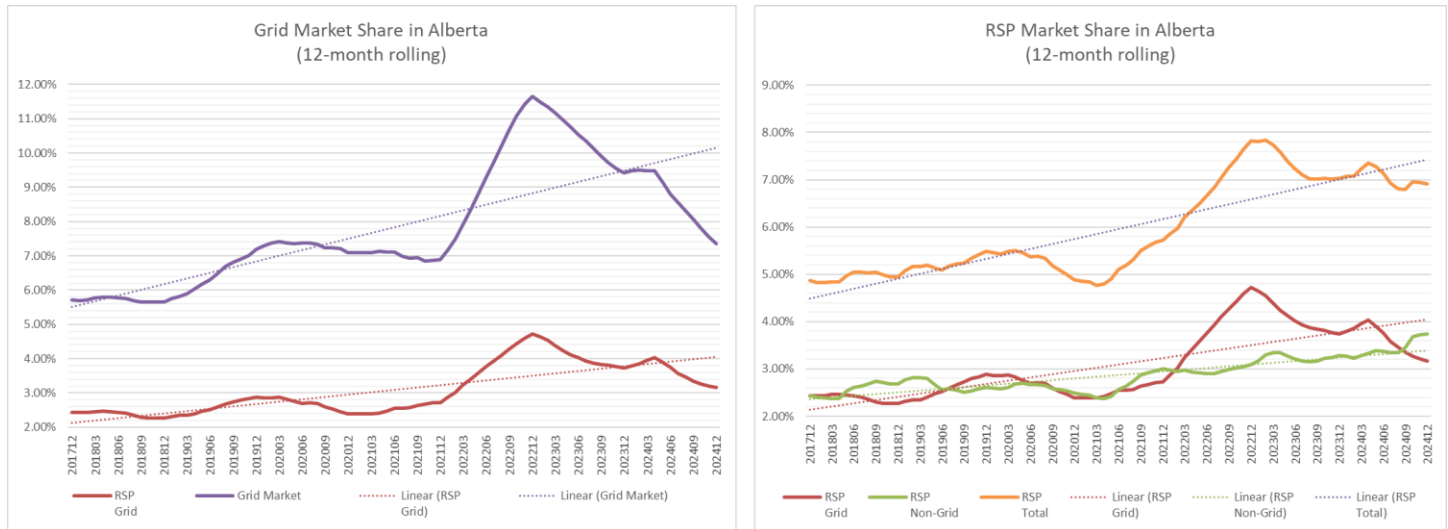
Alberta Market Share Update

This section has not been updated since the previous bulletin due to the availability of data.

Recent announcements in Alberta include:

- Adjustments to the Grid premiums effective Jan 1, 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 1, 2025. See further detail [here](#)
- The Grid system will be formally withdrawn on Jan 1, 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 1, 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 is decreasing by 0.27% on average monthly i.e. from a starting point of 9.49% in April 2024 to 7.35% in January 2025 while the RSP Grid is decreasing on average by 0.11% from 4.03% in April 2024 to 3.17% in January 2025.
- RSP Non-Grid has slightly increased this month from 3.73% in November to 3.75% in December. Following the bump in October, the market share is steadily increasing but at a lesser pace (+0.03% 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

Related links:

[RSP Summary of Operations - Calendar Year 2025](#)

*01 month ended January 2025 (discounted basis)

[RSP Quarterly Financial Insights](#)