

TO: MEMBERS OF THE FACILITY ASSOCIATION

ATTENTION: CHIEF EXECUTIVE OFFICER

BULLETIN NO: F2025 – 004

DATE: January 30, 2025

SUBJECT: Risk Sharing Pool – December 2024 Operational Report

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

SPECIAL NOTE: Insurance Finance Expense Supplementary File

Please note that there is a supplementary file linked at the bottom of this bulletin that provides a breakdown of the components that comprise insurance finance expense. The breakdown includes the following items by accident year, jurisdiction/business segment and accounting month beginning Nov 2023 to Dec 2024.

- discount unwinding
- the effect due to changes in discounting assumptions (yield impact)

Please be advised that the December 2024 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.

Highlights

- (a) The **December 2024 received premium** was \$119.8 million, higher than prior year by \$1.8 million. The **2024 year-end received premium** is \$1,316.8 million;
- (b) The **December 2024 insurance revenue** was \$73.6 million, higher than prior year by \$7.2 million. The **2024 year-end insurance revenue** is \$816.5 million;
- (c) The **December 2024 operating result** was a deficit of \$17.9 million, higher than prior year by \$14.6 million. The **2024 year-end operating result** is a deficit of \$900.1 million;
- (d) The **December 2024 combined operating ratio** was 124.3%, lower than prior year by 24.6 percentage points. The **year-end combined operating ratio** is 210.2%;

RSP Summary of IFRS17 Financial Results

RSP 2024 Summary	Actual	Projection	Prior Year	2024 year-to-date	Outlook*	2023 year-end
Amounts in \$000s	(December 2024)	(December 2024)	(December 2023)	as at 12 months	Full year 2024	Actual
Written Premium	114,816	99,974	104,636	1,315,419	1,144,373	1,155,412
Received Premium	119,800	119,934	118,000	1,316,788	1,142,793	1,122,400
Earned Premium	111,209	108,655	96,731	1,233,246	1,099,356	1,060,392
Earned Expense Allowance	(37,650)	(36,787)	(30,360)	(416,791)	(371,330)	(332,276)
Insurance Revenue	73,559	71,868	66,371	816,454	728,026	728,116
Total Claims Incurred	118,878	116,354	112,047	1,354,116	1,164,826	1,159,445
Claims incurred (CAY)	122,143	119,639	102,270	1,363,519	1,206,259	1,137,895
Adjustments to Liabilities for Incurred Claims (PAYs)	(3,265)	(3,285)	9,777	(9,403)	(41,433)	21,550
Administrative Expense	795	946	1,147	8,536	10,015	8,240
Losses on Onerous Contracts	7,948	0	9,554	609,773	535,063	544,155
Reversal of Losses on Onerous Contracts	(45,027)	(45,027)	(34,466)	(569,905)	(487,491)	(366,883)
Insurance Service Expenses	82,594	72,272	88,281	1,402,521	1,222,414	1,344,957
Insurance Service Result	(9,034)	(405)	(21,911)	(586,067)	(494,388)	(616,840)
Insurance Finance Expense from PV FCF	(6,474)	(6,474)	(7,913)	(162,615)	(94,121)	(65,922)
Insurance Finance Expense from Risk Adjustment	(481)	(481)	(632)	(12,469)	(7,126)	(5,456)
Insurance Finance Expense from Loss Component	(1,902)	(1,902)	(2,013)	(138,955)	(42,102)	2,108
Insurance Finance Income (Expense)	(8,857)	(8,857)	(10,558)	(314,039)	(143,350)	(69,270)
Operating Result	(17,891)	(9,261)	(32,468)	(900,106)	(637,737)	(686,110)
Ratios:						
Loss ratio - Claims Incurred (CAY)	166.0%	166.5%	154.1%	167.0%	165.7%	156.3%
- Adjustments to Liabilities for Incurred Claims (PAYs)	(4.4%)	(4.6%)	14.7%	(1.2%)	(5.7%)	3.0%
Total	161.6%	161.9%	168.8%	165.9%	160.0%	159.2%
Earned Expense allowance	33.9%	33.9%	31.4%	33.8%	33.8%	31.3%
Change in Loss Component (excluding IFE)	(50.4%)	(62.7%)	(37.5%)	4.9%	6.5%	24.3%
Administrative Expenses	1.1%	1.3%	1.7%	1.0%	1.4%	1.1%
Insurance Service Ratio	112.3%	100.6%	133.0%	171.8%	167.9%	184.7%
Combined Operating Ratio	124.3%	112.9%	148.9%	210.2%	187.6%	194.2%

rounding differences may occur

*as posted to FA's website Dec 22, 2023

RSP 2024 Summary of Liabilities	Actual	Projection	Prior Year	Outlook*
Amounts in \$000s	(December 2024)	(December 2024)	(December 2023)	Full year 2024
LIC	2,019,012	2,004,495	1,691,580	1,955,063
Undiscounted Case Reserves	1,226,092	1,228,470	1,072,734	1,341,347
Undiscounted IBNR	857,408	839,998	736,542	744,488
Discount	(203,327)	(201,935)	(242,287)	(264,170)
PV FCF	1,880,174	1,866,533	1,566,989	1,821,666
Risk Adjustment	138,838	137,962	124,591	133,398
Risk Adjustment %	7.38%	7.39%	7.95%	7.32%
LRC	1,061,478	1,055,316	837,723	905,887
LRC excl. Loss Component	392,102	393,888	347,171	352,397
Loss Component	669,376	661,429	490,552	553,490

Insurance Service Expenses Key Drivers

- **Claims Incurred** - Incurred losses were \$118.9 million, higher than projection by \$2.5 million and \$6.8 million higher compared with the same month last year. Loss ratio was at 166.0%, in-line with projected, and 12.0 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 \$76.9 million has already been incurred. 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)		
Full Year CAT Impact	Alberta Grid	22,780,605	4,618,856	27,468,505	1,531,495	29,000,000
	Alberta non-Grid	39,038,831	10,388,664	49,479,838	1,520,162	51,000,000
Full Year CAT Impact		61,819,436	15,007,520	76,948,343	3,051,657	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 \$7.9 million driven by higher than projected premium.
- **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.

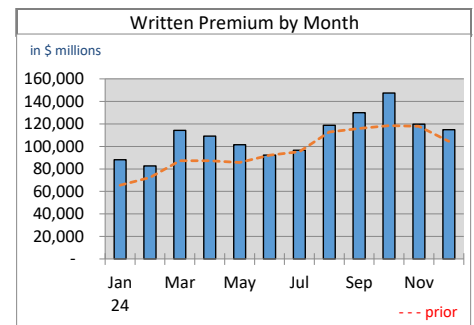
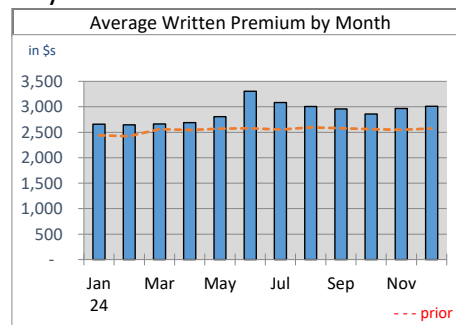
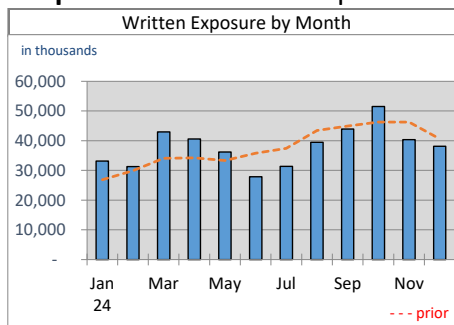
Insurance Finance Income

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 38,158 vehicles, which was lower than prior year by 2,472 vehicles and 5,469 vehicles higher 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 2024	CY 2023
Jurisdiction	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Year-End	Year-End
Ontario	16,530	14,858	20,753	19,793	20,962	13,259	15,726	18,219	19,087	19,581	18,237	18,999	216,006	219,027
Alberta Grid	8,181	7,782	10,325	9,886	5,306	5,872	5,706	8,299	9,116	9,659	8,610	7,309	96,052	110,517
Alberta Non-Grid	6,644	6,651	9,566	8,502	7,428	6,951	7,511	9,718	12,820	17,945	10,831	8,932	113,500	97,253
New Brunswick	764	933	1,086	974	1,056	818	1,277	975	539	1,420	893	1,702	12,438	11,918
Nova Scotia	920	921	1,031	1,175	1,151	735	740	1,637	1,798	2,289	1,110	875	14,383	11,774
Newfoundland & Labrador	145	158	211	250	277	276	378	640	601	655	676	340	4,606	2,706
Total	33,184	31,302	42,973	40,579	36,180	27,912	31,339	39,488	43,962	51,550	40,358	38,158	456,985	453,195

RSP Summary of full year **Written Premium**

	January	February	March	April	May	June	July	August	September	October	November	December	CY 2024	CY 2023
Jurisdiction	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Year-End	Year-End
Ontario	48,242	44,096	61,399	58,575	62,498	52,575	54,837	62,058	65,773	70,128	63,887	66,880	710,948	607,942
Alberta Grid	22,636	20,781	28,112	27,713	17,529	20,608	19,971	27,669	30,228	31,726	27,741	23,984	298,697	304,924
Alberta Non-Grid	14,128	14,354	20,855	18,646	16,971	15,665	17,421	22,761	28,446	37,479	23,094	18,950	248,772	201,572
New Brunswick	1,276	1,576	1,770	1,621	1,790	1,435	2,045	1,731	949	2,549	1,570	2,663	20,975	18,513
Nova Scotia	1,641	1,696	1,887	2,154	2,274	1,491	1,602	3,338	3,541	4,081	2,217	1,725	27,646	18,718
Newfoundland & Labrador	257	244	322	383	485	445	765	1,189	1,070	1,369	1,236	615	8,380	3,743
Total	88,181	82,747	114,345	109,092	101,547	92,220	96,641	118,747	130,006	147,332	119,746	114,816	1,315,419	1,155,412

RSP Summary of full year **Average Written Premiums**

	January	February	March	April	May	June	July	August	September	October	November	December	CY 2024	CY 2023
Jurisdiction	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Year-End	Year-End
Ontario	2,919	2,968	2,958	2,959	2,981	3,965	3,487	3,406	3,446	3,581	3,503	3,520	3,291	2,776
Alberta Grid	2,767	2,670	2,723	2,803	3,304	3,509	3,500	3,334	3,316	3,285	3,222	3,281	3,110	2,759
Alberta Non-Grid	2,126	2,158	2,180	2,193	2,285	2,253	2,319	2,342	2,219	2,089	2,132	2,122	2,192	2,073
New Brunswick	1,671	1,688	1,630	1,664	1,696	1,754	1,602	1,776	1,760	1,795	1,758	1,564	1,686	1,553
Nova Scotia	1,784	1,842	1,830	1,834	1,976	2,029	2,165	2,038	1,969	1,783	1,996	1,971	1,922	1,590
Newfoundland & Labrador	1,769	1,547	1,527	1,533	1,753	1,613	2,023	1,859	1,780	2,089	1,830	1,810	1,819	1,383
Total	2,657	2,644	2,661	2,688	2,807	3,304	3,084	3,007	2,957	2,858	2,967	3,009	2,878	2,549

Year-End 2024

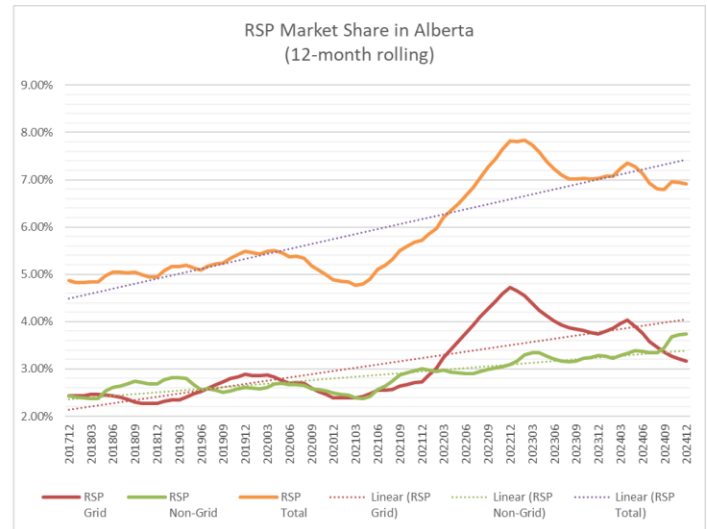
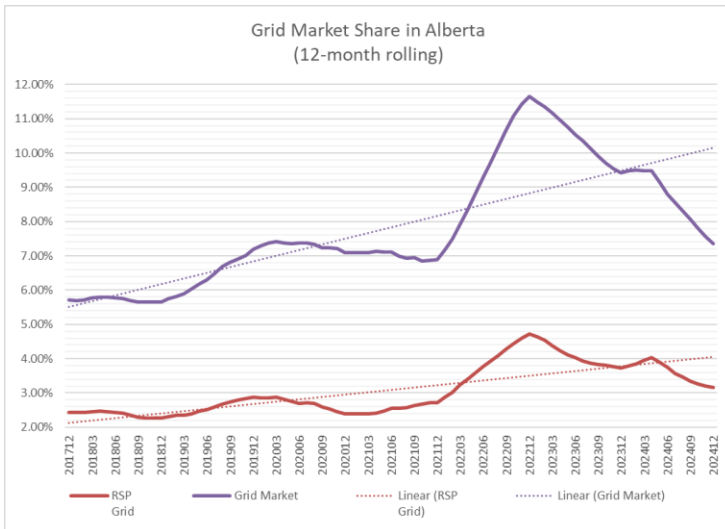
Compared with The Outlook released in December 2023, written premium has increased by \$171.0 million primarily driven by higher average written premium than projected, and higher vehicle count in Alberta Non-Grid. Calendar year earned premium is up by \$133.9 million. The year-end 2024 operating deficit is \$900.1 million, \$262.4 million deterioration compared with The Outlook.

Alberta Market Share Update

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 December 2024 while the RSP Grid is decreasing on average by 0.11% from 4.03% in April 2024 to 3.17% in December 2024.
- 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 call Philippe Gosselin, VP Actuarial and CRO at (416) 863-1750 x4968.

Saskia Matheson
President & CEO

Related links:

[RSP Summary of Operations - Calendar Year 2024](#)

*12 month ended December 2024 (discounted basis)

[RSP Supplementary File – Insurance Finance Expense Breakdown](#)