

TO: MEMBERS OF THE FACILITY ASSOCIATION

ATTENTION: CHIEF EXECUTIVE OFFICER

BULLETIN NO: F2024 – 044

DATE: October 29, 2024

SUBJECT: Risk Sharing Pool – September 2024 Operational Report

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

Please be advised that the September 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 **September 2024 received premium** was \$118.6 million, higher than prior year by \$7.4 million. The **projected 2024 year-end received premium** is \$1,258 million;
- (b) The **September 2024 insurance revenue** was \$66.8 million, higher than prior year by \$7.4 million. The **projected 2024 year-end insurance revenue** is \$808.6 million;
- (c) The **September 2024 operating result** was a deficit of \$42.7 million, lower than prior year by \$32.6 million. The **projected 2024 year-end operating result** is a deficit of \$807.3 million;
- (d) The **September 2024 combined operating ratio** was 164.0%, higher than prior year by 47.0 percentage points. The **projected year-end combined operating ratio** is 199.8%.
- (e) The **CAT impact of the Alberta hailstorm** which occurred in August 2024, has resulted in \$58.8 million incurred losses to date (\$39.3 million was incurred during the month of August and an additional \$19.5 million was incurred during the month of September). Similar to last month, we have included a 10% IBNR loading on these incurred losses. The total CAT impact to date is \$65 million (\$44 million was reflected in the August Operational Report and an additional \$21 million was reflected in the September Operational Report).

RSP Summary of IFRS17 Financial Results

RSP 2024 Summary Amounts in \$000s	Actual (September 2024)	Projection (September 2024)	Prior Year (September 2023)	2024 year-to-date as at 9 months	2023 year-to-date as at 9 months	2024 year-end Projection	Outlook* Full year 2024	2023 year-end Actual
Written Premium	130,006	111,849	115,980	933,526	814,425	1,225,609	1,144,373	1,155,412
Received Premium	118,613	119,055	111,242	919,304	769,935	1,257,962	1,142,793	1,122,400
Earned Premium	100,903	102,576	87,145	908,253	781,259	1,220,935	1,099,356	1,060,392
Earned Expense Allowance	(34,142)	(34,580)	(27,818)	(306,731)	(244,068)	(412,371)	(371,330)	(332,276)
Insurance Revenue	66,761	67,996	59,327	601,522	537,191	808,565	728,026	728,116
Total Claims Incurred	125,999	107,223	89,490	1,044,795	852,047	1,373,345	1,164,826	1,159,445
Claims incurred (CAY)	129,645	110,579	92,922	1,051,361	849,985	1,388,786	1,206,259	1,137,895
Adjustments to Liabilities for Incurred Claims (PAYs)	(3,647)	(3,356)	(3,432)	(6,566)	2,062	(15,442)	(41,433)	21,550
Administrative Expense	620	882	545	6,079	5,705	8,482	10,015	8,240
Losses on Onerous Contracts	17,854	0	3,211	566,138	501,552	566,138	535,063	544,155
Reversal of Losses on Onerous Contracts	(45,537)	(45,537)	(33,900)	(432,679)	(264,069)	(571,779)	(487,491)	(366,883)
Insurance Service Expenses	98,936	62,568	59,346	1,184,333	1,095,236	1,376,186	1,222,414	1,344,957
Insurance Service Result	(32,175)	5,428	(19)	(582,811)	(558,045)	(567,621)	(494,388)	(616,840)
Insurance Finance Expense from PV FCF	(7,680)	(7,680)	(7,386)	(102,774)	(61,589)	(126,031)	(94,121)	(65,922)
Insurance Finance Expense from Risk Adjustment	(569)	(569)	(587)	(8,037)	(5,058)	(9,741)	(7,126)	(5,456)
Insurance Finance Expense from Loss Component	(2,273)	(2,273)	(2,083)	(96,643)	(9,445)	(103,891)	(42,102)	2,108
Insurance Finance Income (Expense)	(10,522)	(10,522)	(10,057)	(207,454)	(76,091)	(239,663)	(143,350)	(69,270)
Operating Result	(42,698)	(5,094)	(10,075)	(790,265)	(634,137)	(807,285)	(637,737)	(686,110)
Ratios:								
Loss ratio - Claims Incurred (CAY)	194.2%	162.6%	156.6%	174.8%	158.2%	171.8%	165.7%	156.3%
- Adjustments to Liabilities for Incurred Claims (PAYs)	(5.5%)	(4.9%)	(5.8%)	(1.1%)	0.4%	(1.9%)	(5.7%)	3.0%
Total	188.7%	157.7%	150.8%	173.7%	158.6%	169.8%	160.0%	159.2%
Earned Expense allowance	33.8%	33.7%	31.9%	33.8%	31.2%	33.8%	33.8%	31.3%
Change in Loss Component (excluding IFE)	(41.5%)	(67.0%)	(51.7%)	22.2%	44.2%	(0.7%)	6.5%	24.3%
Administrative Expenses	0.9%	1.3%	0.9%	1.0%	1.1%	1.0%	1.4%	1.1%
Insurance Service Ratio	148.2%	92.0%	100.0%	196.9%	203.9%	170.2%	167.9%	184.7%
Combined Operating Ratio	164.0%	107.5%	117.0%	231.4%	218.0%	199.8%	187.6%	194.2%

rounding differences may occur

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

RSP 2024 Summary of Liabilities Amounts in \$000s	Actual (September 2024)	Projection (September 2024)	Prior Year (September 2023)	2024 year-end Projection	Outlook* Full year 2024	2023 year-end Actual
LIC	1,972,114	1,958,786	1,712,401	1,984,623	1,955,063	1,691,580
Undiscounted Case Reserves	1,182,486	1,183,886	1,088,440	1,239,909	1,341,347	1,072,734
Undiscounted IBNR	896,369	881,213	730,517	856,751	744,488	736,542
Discount	(242,470)	(241,196)	(232,629)	(246,457)	(264,170)	(242,287)
PV FCF	1,836,385	1,823,903	1,586,328	1,850,202	1,821,666	1,566,989
Risk Adjustment	135,729	134,883	126,073	134,420	133,398	124,591
Risk Adjustment %	7.39%	7.40%	7.95%	7.27%	7.32%	7.95%
LRC	1,065,978	1,047,199	866,563	951,399	905,887	837,723
LRC excl. Loss Component	345,325	344,400	304,246	362,596	352,397	347,171
Loss Component	720,654	702,799	562,317	588,803	553,490	490,552

Insurance Service Expenses Key Drivers

- Claims Incurred** - Incurred losses were \$126.0 million, higher than projection by \$18.8 million and \$36.5 million higher compared with the same month last year. Loss ratio was at 188.7%, 31.0 percentage points higher than projected, and 37.9 percentage points higher than prior year. This is primarily driven by the CAT impact of the Alberta hailstorm in the Grid and Non-Grid pools which increased the CAY loss ratio. Generally FA will follow the loss ratio matching method, however this would not have accounted for the CAT losses as the loss ratios are based on the Q2 valuation (i.e. data up to June 2024). Considering that \$58.7 million of losses have already been reported to date for the hailstorm, we have adjusted the loss ratio to include the total CAT impact to date and a 10% IBNR loading (this 10% IBNR load was also included in last months report). The total CAT impact to date is \$65 million, of which \$58.8 million has already been incurred. We will continue to closely monitor the development of these claims. See breakdown of impact below:

Date	Pool	Paid Loss	Case Reserve	Total Incurred	IBNR load	Additional CAT booking amount (rounded)	Total CAT impact (rounded)
		[1]	[2]	[3] = [1]+[2]	[4]	[5] = [3]*[4]	[6] = [3]+[5]
Change in Aug-2024	Alberta Grid	2,794,627	11,415,049	14,210,306	10%	1,789,694	16,000,000
	Alberta non-Grid	4,063,408	21,022,129	25,085,537	10%	2,914,463	28,000,000
Total change in Aug-2024		6,858,035	32,437,178	39,295,843		4,704,157	44,000,000
Change in Sep-2024	Alberta Grid	7,882,682	(243,525)	7,639,640	10%	360,360	8,000,000
	Alberta non-Grid	12,136,100	(274,241)	11,862,674	10%	1,137,326	13,000,000
Total change in Sep-2024		20,018,782	(517,766)	19,502,314		1,497,686	21,000,000
Total CAT impact to date	Alberta Grid	10,677,309	11,171,524	21,849,946	10%	2,150,054	24,000,000
	Alberta non-Grid	16,199,508	20,747,888	36,948,211	10%	4,051,789	41,000,000
Total CAT impact to date		26,876,817	31,919,412	58,798,157		6,201,843	65,000,000

- **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 \$17.8 million driven by higher premium compared to projected particularly in the Alberta Non-Grid and Ontario pools. We have reached out to the FA membership regarding an updated view of premium projections which will be implemented in the coming months.
- **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.

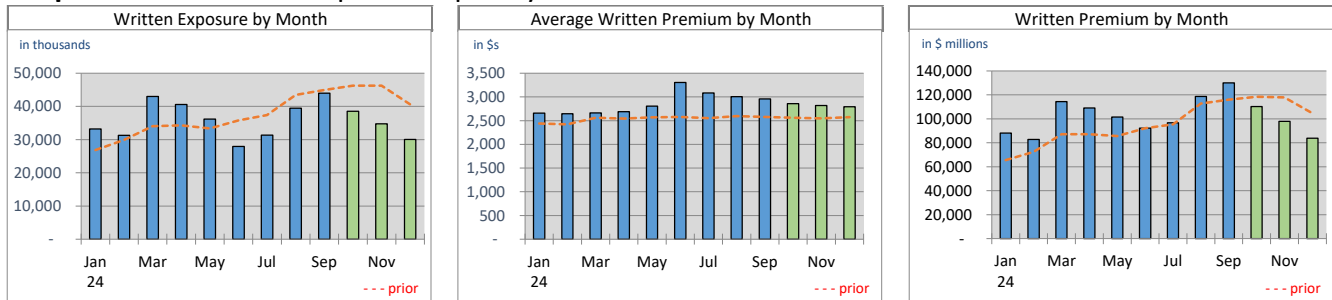
Insurance Finance Income

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 October), when the yield curve is updated.

Premium

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



The vehicle count transfer for the month was 43,962 vehicles, which was lower than prior year by 996 vehicles and 2,227 vehicles lower than The Outlook for the month. This is primarily driven by lower cessions to both the Ontario and Alberta Grid pools compared to Outlook. The green bars represent our current projection for the remainder of the year.

RSP Summary of full year **Vehicle Count**

	January	February	March	April	May	June	July	August	September	October	November	December	CY 2024
Jurisdiction	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Proj.	Proj.	Proj.	Year-End
Ontario	16,530	14,858	20,753	19,793	20,962	13,259	15,726	18,219	19,087	20,129	18,613	15,975	213,905
Alberta Grid	8,181	7,782	10,325	9,886	5,306	5,872	5,706	8,299	9,116	7,345	6,123	5,321	89,263
Alberta Non-Grid	6,644	6,651	9,566	8,502	7,428	6,951	7,511	9,718	12,820	8,124	7,204	6,318	97,438
New Brunswick	764	933	1,086	974	1,056	818	1,277	975	539	1,306	1,226	1,093	12,047
Nova Scotia	920	921	1,031	1,175	1,151	735	740	1,637	1,798	1,237	1,114	991	13,450
Newfoundland & Labrador	145	158	211	250	277	276	378	640	601	419	453	332	4,139
Total	33,184	31,302	42,973	40,579	36,180	27,912	31,339	39,488	43,962	38,560	34,732	30,029	430,241

RSP Summary of full year **Written Premium**

	January	February	March	April	May	June	July	August	September	October	November	December	CY 2024
Jurisdiction	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Proj.	Proj.	Proj.	Year-End
Ontario	48,242	44,096	61,399	58,575	62,498	52,575	54,837	62,058	65,773	59,684	54,538	46,980	671,256
Alberta Grid	22,636	20,781	28,112	27,713	17,529	20,608	19,971	27,669	30,228	27,191	22,775	19,616	284,829
Alberta Non-Grid	14,128	14,354	20,855	18,646	16,971	15,665	17,421	22,761	28,446	18,052	15,705	13,027	216,032
New Brunswick	1,276	1,576	1,770	1,621	1,790	1,435	2,045	1,731	949	2,328	2,137	1,948	20,606
Nova Scotia	1,641	1,696	1,887	2,154	2,274	1,491	1,602	3,338	3,541	2,229	2,020	1,765	25,638
Newfoundland & Labrador	257	244	322	383	485	445	765	1,189	1,070	735	779	573	7,247
Total	88,181	82,747	114,345	109,092	101,547	92,220	96,641	118,747	130,006	110,220	97,954	83,910	1,225,609

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

Jurisdiction	January Actual	February Actual	March Actual	April Actual	May Actual	June Actual	July Actual	August Actual	September Actual	October Proj.	November Proj.	December Proj.	CY 2024 Year-End
Ontario	2,919	2,968	2,958	2,959	2,981	3,965	3,487	3,406	3,446	2,965	2,930	2,941	3,138
Alberta Grid	2,767	2,670	2,723	2,803	3,304	3,509	3,500	3,334	3,316	3,702	3,719	3,687	3,191
Alberta Non-Grid	2,126	2,158	2,180	2,193	2,285	2,253	2,319	2,342	2,219	2,222	2,180	2,062	2,217
New Brunswick	1,671	1,688	1,630	1,664	1,696	1,754	1,602	1,776	1,760	1,783	1,743	1,783	1,711
Nova Scotia	1,784	1,842	1,830	1,834	1,976	2,029	2,165	2,038	1,969	1,803	1,814	1,781	1,906
Newfoundland & Labrador	1,769	1,547	1,527	1,533	1,753	1,613	2,023	1,859	1,780	1,755	1,721	1,723	1,751
Total	2,657	2,644	2,661	2,688	2,807	3,304	3,084	3,007	2,957	2,858	2,820	2,794	2,849

Projected Year-End 2024

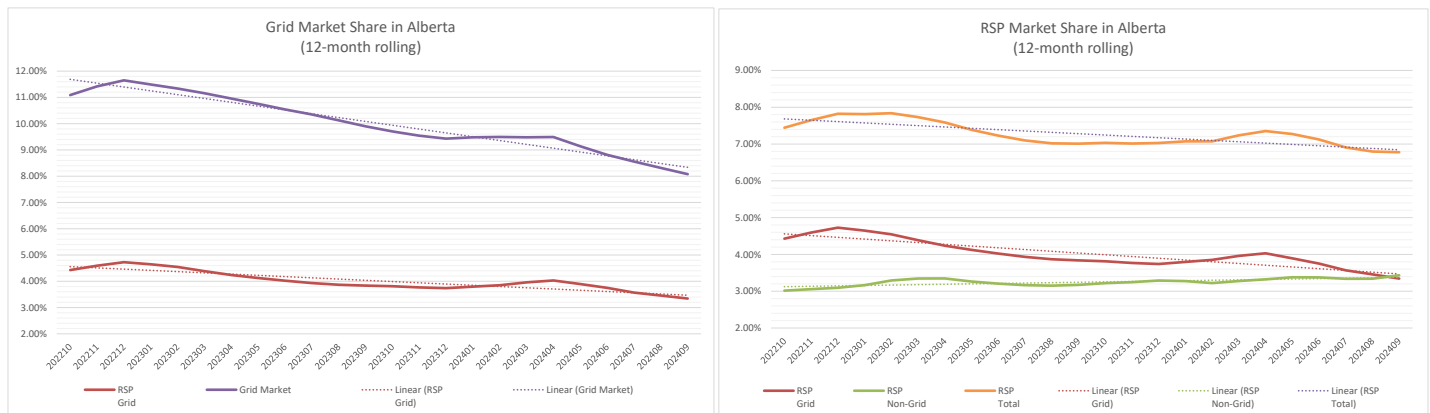
Compared with The Outlook released in December 2023, written premium has increased by \$81.2 million driven by higher average written premium in Ontario compared to Outlook. Calendar year earned premium is up by \$121.6 million. The projected year-end 2024 operating deficit is \$807.3 million, \$169.5 million deterioration compared with The Outlook.

Alberta Market Share Update

Alberta has announced adjustments to the Grid premiums effective Jan 1, 2025 including a 10% base rate increase outlined in the [AIRB Order 02-2024](#) and increasing the differentials for the lowest Grid steps outlined in the [GRID Guidance](#).

We continue to monitor the business volume of the Alberta RSPs following the significant growth seen in the Grid Pool during 2022. We have been observing declines in the Grid pool following the Grid rate increases beginning January 2023. However, we are beginning to see elevated volume in the non-Grid pool in late 2023, as members adjusted their ceding strategies for the latest market conditions including the rate pause in Alberta. We expect the Grid rate increases combined with Good Driver Protection, to result in a further reductions to the Grid RSP vehicle counts and potentially a further increase in the Non-Grid RSP vehicle counts as we typically see in times of greater pricing restrictions.

Following more than 2 years of consistent growth in the rolling 12 month market share of the combined Alberta RSPs, RSP volume and market share declined from a high of 7.84% in February 2023 back down to 6.78% in September 2024. Beginning September 2023, the Non-Grid started to see an increase and is sitting at 3.43% in September. The Grid market share has been decreasing in recent months and is sitting at 8.08% in September. 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](#)

*09 month ended September 2024 (discounted basis)