

**TO:** MEMBERS OF THE FACILITY ASSOCIATION

**ATTENTION:** CHIEF EXECUTIVE OFFICER

**BULLETIN NO:** F2024 – 041

**DATE:** September 27, 2024

**SUBJECT:** Risk Sharing Pool – August 2024 Operational Report

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

Please be advised that the August 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 (IFRS 17)**

- (a) The **August 2024 received premium** was \$106.2 million, higher than prior year by \$10.1 million. The **projected 2024 year-end received premium** is \$1,239.1 million;
- (b) The **August 2024 insurance revenue** was \$69.0 million, higher than prior year by \$7.3 million. The **projected 2024 year-end insurance revenue** is \$805.1 million;
- (c) The **August 2024 operating result** was a surplus of \$28.8 million, higher than prior year by \$177.9 million. The **projected 2024 year-end operating result** is a deficit of \$769.5 million;
- (d) The **August 2024 combined operating ratio** was 58.3%, lower than prior year by 283.4 percentage points. The **projected year-end combined operating ratio** is 195.6%.
- (e) The implementation of the **2024 Q2 Valuation** generated approximately **\$77.5 million favourable impact** for the month, partially offset by the **CAT impact of the Alberta hailstorm** which is approximately **\$47.1 million unfavourable change** – together these impacts contribute to an improvement in the **year-to-date combined operating ratio by 5.7%**.

## RSP Summary of IFRS17 Financial Results

RSP 2024 Summary Amounts in \$000s	Actual (August 2024)	Projection (August 2024)	Prior Year (August 2023)	2024 year-to-date as at 8 months	2023 year-to-date as at 8 months	2024 year-end Projection	Outlook* Full year 2024	2023 year-end Actual
Written Premium	118,747	109,509	112,775	803,519	698,445	1,207,018	1,144,373	1,155,412
Received Premium	106,194	96,882	96,113	800,691	658,693	1,239,097	1,142,793	1,122,400
Earned Premium	104,429	105,712	90,564	807,350	694,114	1,215,322	1,099,356	1,060,392
Earned Expense Allowance	(35,398)	(35,631)	(28,876)	(272,589)	(216,251)	(410,242)	(371,330)	(332,276)
<b>Insurance Revenue</b>	<b>69,031</b>	<b>70,081</b>	<b>61,688</b>	<b>534,762</b>	<b>477,863</b>	<b>805,080</b>	<b>728,026</b>	<b>728,116</b>
Total Claims Incurred	132,156	114,815	168,559	918,797	762,558	1,347,002	1,164,826	1,159,445
Claims incurred (CAY)	125,294	117,998	134,552	921,715	757,064	1,362,085	1,206,259	1,137,895
Adjustments to Liabilities for Incurred Claims (PAYs)	6,862	(3,183)	34,007	(2,919)	5,494	(15,083)	(41,433)	21,550
Administrative Expense	620	895	599	5,254	5,161	8,474	10,015	8,240
Losses on Onerous Contracts	(52,104)	0	109,737	548,284	498,341	548,284	535,063	544,155
Reversal of Losses on Onerous Contracts	(52,100)	(52,100)	(31,089)	(387,142)	(230,170)	(568,673)	(487,491)	(366,883)
<b>Insurance Service Expenses</b>	<b>28,572</b>	<b>63,610</b>	<b>247,807</b>	<b>1,085,192</b>	<b>1,035,890</b>	<b>1,335,087</b>	<b>1,222,414</b>	<b>1,344,957</b>
<b>Insurance Service Result</b>	<b>40,459</b>	<b>6,471</b>	<b>(186,118)</b>	<b>(550,431)</b>	<b>(558,027)</b>	<b>(530,007)</b>	<b>(494,388)</b>	<b>(616,840)</b>
Insurance Finance Expense from PV FCF	(4,682)	(7,349)	15,899	(95,094)	(54,202)	(125,901)	(94,121)	(65,922)
Insurance Finance Expense from Risk Adjustment	(413)	(558)	1,208	(7,468)	(4,471)	(9,734)	(7,126)	(5,456)
Insurance Finance Expense from Loss Component	(6,612)	(3,527)	19,891	(94,370)	(7,362)	(103,885)	(42,102)	2,108
<b>Insurance Finance Income (Expense)</b>	<b>(11,707)</b>	<b>(11,433)</b>	<b>36,998</b>	<b>(196,932)</b>	<b>(66,035)</b>	<b>(239,519)</b>	<b>(143,350)</b>	<b>(69,270)</b>
<b>Operating Result</b>	<b>28,752</b>	<b>(4,962)</b>	<b>(149,120)</b>	<b>(747,363)</b>	<b>(624,061)</b>	<b>(769,526)</b>	<b>(637,737)</b>	<b>(686,110)</b>
<b>Ratios:</b>								
Loss ratio - Claims Incurred (CAY)	181.5%	168.4%	218.1%	172.4%	158.4%	169.2%	165.7%	156.3%
- Adjustments to Liabilities for Incurred Claims (PAYs)	9.9%	(4.5%)	55.1%	(0.5%)	1.1%	(1.9%)	(5.7%)	3.0%
<b>Total</b>	<b>191.4%</b>	<b>163.8%</b>	<b>273.2%</b>	<b>171.8%</b>	<b>159.6%</b>	<b>167.3%</b>	<b>160.0%</b>	<b>159.2%</b>
Earned Expense allowance	33.9%	33.7%	31.9%	33.8%	31.2%	33.8%	33.8%	31.3%
Change in Loss Component (excluding IFE)	(151.0%)	(74.3%)	127.5%	30.1%	56.1%	(2.5%)	6.5%	24.3%
Administrative Expenses	0.9%	1.3%	1.0%	1.0%	1.1%	1.1%	1.4%	1.1%
<b>Insurance Service Ratio</b>	<b>41.4%</b>	<b>90.8%</b>	<b>401.7%</b>	<b>202.9%</b>	<b>216.8%</b>	<b>165.8%</b>	<b>167.9%</b>	<b>184.7%</b>
<b>Combined Operating Ratio</b>	<b>58.3%</b>	<b>107.1%</b>	<b>341.7%</b>	<b>239.8%</b>	<b>230.6%</b>	<b>195.6%</b>	<b>187.6%</b>	<b>194.2%</b>

rounding differences may occur  
\*as posted to FA's website Dec 22, 2023

RSP 2024 Summary of Liabilities Amounts in \$000s	Actual (August 2024)	Projection (August 2024)	Prior Year (August 2023)	2024 year-end Projection	Outlook* Full year 2024	2023 year-end Actual
<b>LIC</b>	<b>1,947,885</b>	<b>1,923,097</b>	<b>1,697,872</b>	<b>1,968,054</b>	<b>1,955,063</b>	<b>1,691,580</b>
Undiscounted Case Reserves	1,173,175	1,141,706	1,080,953	1,236,995	1,341,347	1,072,734
Undiscounted IBNR	878,776	879,029	721,640	842,288	744,488	736,542
Discount	(239,142)	(233,399)	(230,403)	(244,653)	(264,170)	(242,287)
PV FCF	1,812,809	1,787,336	1,572,190	1,834,630	1,821,666	1,566,989
Risk Adjustment	135,076	135,761	125,682	133,423	133,398	124,591
Risk Adjustment %	7.45%	7.60%	7.99%	7.27%	7.32%	7.95%
<b>LRC</b>	<b>1,080,196</b>	<b>1,128,367</b>	<b>880,750</b>	<b>928,525</b>	<b>905,887</b>	<b>837,723</b>
LRC excl. Loss Component	334,133	333,284	289,829	354,478	352,397	347,171
Loss Component	746,064	795,082	590,921	574,047	553,490	490,552

## Insurance Service Expenses Key Drivers

- **Claims Incurred** - Incurred losses were \$132.2 million, higher than projection by \$17.3 million and \$36.4 million lower compared with the same month from last year. Loss ratio was at 191.4%, 27.6 percentage points higher than projected. The CAY loss ratio increased by 13.1% compared to projection, to 181.5% primarily driven by the CAT impact of the Alberta hailstorm in the Grid and Non-Grid pools. Generally FA will follow the loss ratio matching method, however given that \$39 million of losses that have already been reported to date for the hailstorm, we included an additional 10% IBNR loading in our August result which totals \$44 million of losses relating to the CAT event. Our loss ratio matching approach would not have accounted for the CAT losses as the loss ratios are based on Q2 results. We will continue to closely monitor the development of these claims.
- **Losses on Onerous Contracts** – This represents 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). The loss component had a favourable change of \$52.1 million this month primarily driven by a reduction to Comprehensive loss ratios in Ontario for AY 2024 and 2025. This category also includes the impact of the new risk adjustment factors which is estimated as approximately \$12.7 million favourable change.
- **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.

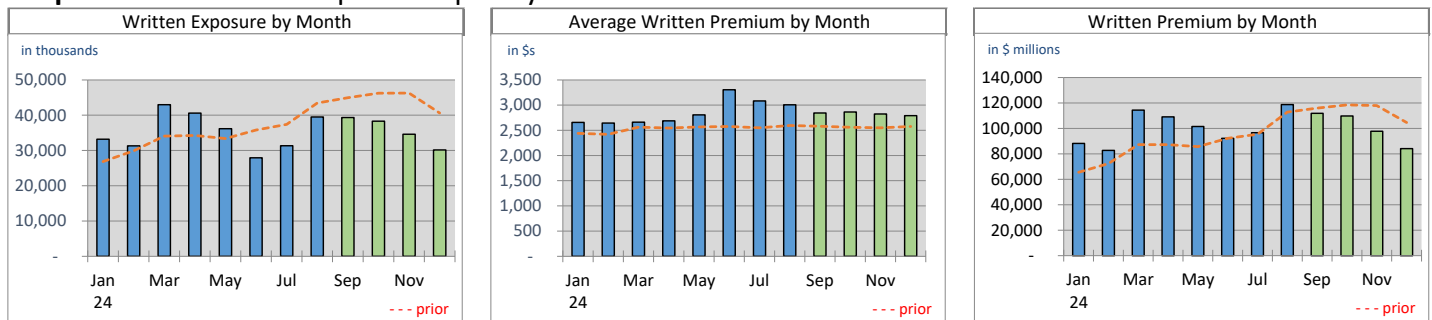
## Insurance Finance Income

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. Insurance Finance income for implementation month of August was \$11.7 million, \$0.3 million lower than projected. Yields decreased slightly in the current valuation compared to prior (by approximately 11 basis points).

## Premium

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



The vehicle count transfer for the month was 39,488 vehicles, which was lower than prior year by 3,947 vehicles and 7,150 vehicles lower than The Outlook for the month. This is primarily driven and lower cessions to both the Ontario and Alberta Grid pools.

Alberta has announced adjustments to the Grid premiums effective May 1, 2024, including a 12% base rate increase and increases to the Grid Step 14 and 15 differentials. Please see the AIRB [2024 Annual Grid Review](#). Members have been reviewing their ceding strategies following the grid rate change announcement, and we have attempted to adjust our projections to estimate the impact of the changes but plan to reach out to members in the coming months for a full refresh of projections.

The average premium for the month was higher than The Outlook by 18.0%, and higher compared with prior year. This is primarily driven by a large removal of risks from Ontario RSP. The average premium of the risks removed were significantly lower than the average premium of the pool, which drove up the average premium this month. 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	Proj.	Proj.	Proj.	Proj.	Year-End
Ontario	16,530	14,858	20,753	19,793	20,962	13,259	15,726	18,219	20,724	20,133	18,617	15,979	215,554
Alberta Grid	8,181	7,782	10,325	9,886	5,306	5,872	5,706	8,299	6,810	7,345	6,123	5,321	86,957
Alberta Non-Grid	6,644	6,651	9,566	8,502	7,428	6,951	7,511	9,718	9,061	8,080	7,216	6,479	93,808
New Brunswick	764	933	1,086	974	1,056	818	1,277	975	1,208	1,306	1,226	1,093	12,717
Nova Scotia	920	921	1,031	1,175	1,151	735	740	1,637	1,299	1,235	1,177	1,036	13,057
Newfoundland & Labrador	145	158	211	250	277	276	378	640	239	218	251	230	3,272
<b>Total</b>	<b>33,184</b>	<b>31,302</b>	<b>42,973</b>	<b>40,579</b>	<b>36,180</b>	<b>27,912</b>	<b>31,339</b>	<b>39,488</b>	<b>39,341</b>	<b>38,317</b>	<b>34,611</b>	<b>30,138</b>	<b>425,363</b>

*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	Proj.	Proj.	Proj.	Proj.	Year-End
Ontario	48,242	44,096	61,399	58,575	62,498	52,575	54,837	62,058	60,669	59,672	54,526	46,966	666,114
Alberta Grid	22,636	20,781	28,112	27,713	17,529	20,608	19,971	27,669	25,665	27,183	22,767	19,607	280,241
Alberta Non-Grid	14,128	14,354	20,855	18,646	16,971	15,665	17,421	22,761	20,567	17,921	15,699	13,346	208,335
New Brunswick	1,276	1,576	1,770	1,621	1,790	1,435	2,045	1,731	2,118	2,330	2,138	1,950	21,780
Nova Scotia	1,641	1,696	1,887	2,154	2,274	1,491	1,602	3,338	2,388	2,225	2,134	1,842	24,672
Newfoundland & Labrador	257	244	322	383	485	445	765	1,189	443	430	477	437	5,876
<b>Total</b>	<b>88,181</b>	<b>82,747</b>	<b>114,345</b>	<b>109,092</b>	<b>101,547</b>	<b>92,220</b>	<b>96,641</b>	<b>118,747</b>	<b>111,849</b>	<b>109,760</b>	<b>97,741</b>	<b>84,148</b>	<b>1,207,018</b>

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

	January	February	March	April	May	June	July	August	September	October	November	December	CY 2024
Jurisdiction	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Proj.	Proj.	Proj.	Proj.	Year-End
Ontario	2,919	2,968	2,958	2,959	2,981	3,965	3,487	3,406	2,928	2,964	2,929	2,939	3,090
Alberta Grid	2,767	2,670	2,723	2,803	3,304	3,509	3,500	3,334	3,769	3,701	3,718	3,685	3,223
Alberta Non-Grid	2,126	2,158	2,180	2,193	2,285	2,253	2,319	2,342	2,270	2,218	2,175	2,060	2,221
New Brunswick	1,671	1,688	1,630	1,664	1,696	1,754	1,602	1,776	1,753	1,783	1,743	1,784	1,713
Nova Scotia	1,784	1,842	1,830	1,834	1,976	2,029	2,165	2,038	1,838	1,802	1,813	1,779	1,890
Newfoundland & Labrador	1,769	1,547	1,527	1,533	1,753	1,613	2,023	1,859	1,853	1,972	1,900	1,896	1,796
<b>Total</b>	<b>2,657</b>	<b>2,644</b>	<b>2,661</b>	<b>2,688</b>	<b>2,807</b>	<b>3,304</b>	<b>3,084</b>	<b>3,007</b>	<b>2,843</b>	<b>2,865</b>	<b>2,824</b>	<b>2,792</b>	<b>2,838</b>

### Impact of Quarterly Valuation & CAT Impact from Alberta Hailstorm

- A valuation of the RSP as at June 30, 2024 has been completed since last month's Operational Report and the results of that valuation has been incorporated into this month's Operational Report.
- The implementation of the new valuation and the CAT adjustment to the Alberta pools together resulted in an estimated overall **\$30.4 million favorable** impact on the month's net results from operations.
- This impact above **decreased** the year-to-date Combined Operation Ratio by an estimated **5.7%**. The impact this month is summarized in the following tables below.

RSP	LIC Impact	LRC Impact	Total Impact	Impact on YTD COR
<b>Ontario</b>	<b>(45,975)</b>	<b>(48,361)</b>	<b>(94,335)</b>	<b>(32.2%)</b>
PAY	(5,985)	-	(5,985)	(2.0%)
CAY	(39,990)	(17,947)	(57,937)	(19.8%)
FtAY	-	(30,414)	(30,414)	(10.4%)
<b>Alberta Grid</b>	<b>23,203</b>	<b>(1,705)</b>	<b>21,498</b>	<b>16.1%</b>
PAY	8,341	-	8,341	6.2%
CAY	14,861	109	14,970	11.2%
FtAY	-	(1,814)	(1,814)	(1.4%)
<b>Alberta Non-Grid</b>	<b>38,814</b>	<b>2,748</b>	<b>41,562</b>	<b>46.4%</b>
PAY	11,029	-	11,029	12.3%
CAY	27,785	1,069	28,854	32.2%
FtAY	-	1,678	1,678	1.9%
<b>New Brunswick</b>	<b>773</b>	<b>(266)</b>	<b>508</b>	<b>6.8%</b>
PAY	16	-	16	0.2%
CAY	757	229	987	13.2%
FtAY	-	(495)	(495)	(6.6%)
<b>Nova Scotia</b>	<b>(1,823)</b>	<b>1,181</b>	<b>(643)</b>	<b>(6.9%)</b>
PAY	(1,726)	-	(1,726)	(18.7%)
CAY	(98)	268	170	1.8%
FtAY	-	913	913	9.9%
<b>Newfoundland &amp; Labrador</b>	<b>100</b>	<b>911</b>	<b>1,011</b>	<b>54.6%</b>
PAY	16	-	16	0.9%
CAY	83	195	278	15.0%
FtAY	-	716	716	38.7%
<b>TOTAL</b>	<b>15,092</b>	<b>(45,492)</b>	<b>(30,400)</b>	<b>(5.7%)</b>
PAY	11,693	-	11,693	2.2%
CAY	3,399	(16,076)	(12,678)	(2.4%)
FtAY	-	(29,415)	(29,415)	(5.5%)

unfav/ (fav)

The CAY nominal CAT impact is **\$16 million for Alberta Grid** and **\$28 million for Alberta Non-Grid** which includes incurred losses to date and a 10% IBNR load.

### RSP Summary of Change in Loss Component during the Month

Change in Loss Component	2024 (CAY)	2025 (FtAY)	TOTAL
<b>Opening Loss Component</b>	<b>246,398</b>	<b>597,258</b>	<b>843,656</b>
[1] Losses on onerous contracts	(18,653)	(33,451)	(52,104)
[2] Insurance finance expense/(income)	2,576	4,036	6,612
[a] Discount unwinding	1,980	1,547	3,527
[b] Yield impact	597	2,489	3,085
[3] Reversal of losses on onerous contracts	(52,100)	-	(52,100)
<b>TOTAL [1]+[2]+[3]</b>	<b>(68,177)</b>	<b>(29,415)</b>	<b>(97,592)</b>
<b>Ending Loss Component</b>	<b>178,221</b>	<b>567,843</b>	<b>746,064</b>

unfav/ (fav)

The loss component had a **favourable** change of \$52.1 million this month primarily driven by a reduction to Comprehensive loss ratios in Ontario for AY 2024 and 2025. This category also includes the impact of the new risk adjustment factors on the loss component which is estimated as approximately \$12.7 million favourable change.

For more information on these impacts, please refer to the [Quarterly Financial Insights](#)

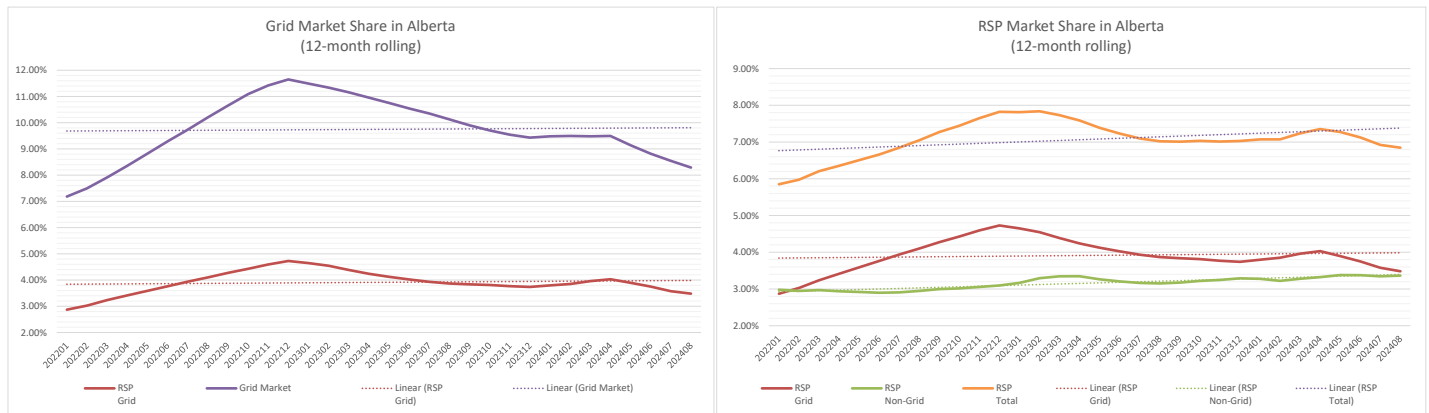
## Projected Year-End 2024

Compared with The Outlook released in December 2023, written premium has increased by \$62.6 million driven by higher average written premium in Ontario compared to Outlook. Calendar year earned premium is up by \$116.0 million. The year-end 2024 operating deficit is \$769.5 million, \$131.8 million deterioration compared with The Outlook.

## Alberta Market Share Update

We continue to monitor the business volume of the Alberta RSPs following the significant growth seen in the Grid Pool during 2022. We saw decline in 2023 in the Grid pool following the January 2023 Grid rate increase. 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.

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 6.85% in August 2024. Beginning September 2023, the Non-Grid started to see an increase and is sitting at 3.36% in August. The Grid market share has been decreasing in recent months and is sitting at 8.29%. We will continue to monitor the market share of these pools closely in response to further “Good Driver Protection” regulations introduced by Alberta for 2024. We expect the May 2024 Grid rate increase, combined with Good Driver Protection, to result in a large decrease in the Grid RSP vehicle counts and potentially an increase in the Non-Grid RSP vehicle counts as we typically see in times of greater pricing restrictions.



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](#)

\*08 month ended August 2024 (discounted basis)